

CONFORMED COPY

CREDIT NUMBER 2791-1 BD
(Amendment)

Agreement Amending Development Credit Agreement

(River Bank Protection Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated May 24, 1999

CREDIT NUMBER 2791-1 BD
(Amendment)

AGREEMENT AMENDING DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 24, 1999, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (River Bank Protection Project) dated December 21, 1995 (the Development Credit Agreement) for the purpose of assisting in the financing of the project described in Schedule 2 to the Development Credit Agreement (the Project);

(B) the Borrower has requested the Association to provide additional assistance towards financing of the project, to assist in financing the rehabilitation of other water control works damaged by the May-September 1998 floods (the Floods) and preparing a follow-up project for riverbank protection by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to thirty-two million eight hundred thousand Special Drawing Rights (SDR 32,800,000); and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Amending Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments of the Development Credit Agreement

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, as amended through December 2, 1997, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (15) is added to Section 2.01 to read as set forth below:

"15. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."; and

(b) Sub-paragraph (a) of Section 5.01 is modified to read:

"(a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from such territories."

Section 1.02. Section 1.02 of the Development Credit Agreement is amended by addition of a new Subsection (k) as follows:

"(k) 'Amending Agreement' means this agreement amending the Development Credit Agreement."

Section 1.03. Section 2.01 of the Development Credit Agreement is amended to read as follows:

"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 eleven million two hundred thousand Special Drawing Rights (SDR 111,200,000), being the sum of withdrawals of the proceeds of the Credit, with each withdrawal valued by the Association as of the date of such withdrawal. The Credit shall be in two tranches, the first tranche being an amount in various currencies equivalent to seventy-eight million four hundred thousand Special Drawing Rights (SDR 78,400,000) (the First Tranche) and the second tranche being an amount in various currencies equivalent to thirty-two million eight hundred thousand Special Drawing Rights (SDR 32,800,000)."

Section 1.04. Section 2.02 of the Development Credit Agreement, is amended to read as follows:

"Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower shall, for the purpose of Parts A, B, C, E, F and G of the Project, open and maintain in dollars a BWDB Special Account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the BWDB Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

(c) The Borrower shall, for the purpose of Part D of the Project, open and maintain in dollars a WARPO Special Account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the WARPO Special Account shall be made in accordance with the provisions of Schedule 6 to this Agreement.

(d) Except as the Borrower and the Association shall otherwise agree, all amounts withdrawn from the Credit Account, or made subject to a special commitment pursuant to Section 5.02 of the General Conditions, shall initially be charged against the First Tranche until that tranche has been exhausted, and shall thereafter be charged against the Second Tranche."

Section 1.05. In Section 2.03 of the Development Credit Agreement, the Closing

Date is amended to read December 31, 2001.

Section 1.06. A proviso is added at the end of subsection 2.04 (b) (i) of the Development Credit Agreement reading as follows:

" ; provided, however, that the commitment charge on the Second Tranche shall accrue from a date sixty (60) days after the date of the Amending Agreement."

Section 1.07. Schedule 1 to the Development Credit Agreement is revised as per Annex 1 to this Amending Agreement.

Section 1.08. Schedule 2 to the Development Credit Agreement is revised as per Annex 2 to this Amending Agreement.

Section 1.09. Schedule 3 of the Development Credit Agreement is amended as per the provisions of Annex 3 to this Amending Agreement.

Section 1.10. In Schedule 4 to the Development Credit Agreement, new paragraph 15, 16 and 17 are added to read:

"15. In the event that land or right to land is required for carrying out Part F of the Project, such land or right to land shall not be acquired except with the prior approval of the Association.

16. The Borrower shall employ consultants for planning, designing and supervision of construction for works to be carried out under Part F of the Project in accordance with the provisions of Section II of Schedule 3 to the Development Credit Agreement.

17. The Borrower shall ensure that the works to be carried out under Part F of the Project shall be selected in accordance with criteria and procedures satisfactory to the Association."

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action, and the Amending Agreement is legally binding upon the Borrower in accordance with its terms.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of Counsel acceptable to the Association showing on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association dispatches to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.

Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Masihur Rahman

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick T. Temple

Country Director, Bangladesh

Annex 1 SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works (other than under Part C of the Project)	90,000,000	83%
(2) Vehicles and equipment for:		100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally
(a) Part B of the Project	1,510,000	
(b) Part D of the Project	370,000	
(c) Parts A and E of the Project	420,000	
(3) (a) Consultants' services for Parts A, B, C, E, F, and G of the Project and training under Part E of the Project	6,440,000	100%
(b) Consultants' services and overseas training for Part D of the Project	4,930,000	100%
(4) Resettlement expenditures under Part C of the Project	330,000	50%
(5) Operation and maintenance costs under Part B of the Project	1,000,000	85% through FY98, 65% in FY99 and 45% thereafter
(6) Unallocated	6,200,000	
TOTAL	111,200,000	

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" mean expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower;

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

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

3. Notwithstanding the provisions of paragraph 1 above no withdrawals shall be made in respect of payments made for expenditures (i) prior to the date of this agreement under the first tranche; and (ii) for contracts placed before January 15, 1999 and to be financed under Part F of the Project.

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

5. (a) The Borrower shall ensure that all withdrawal applications under categories (1), (4) and (5) of this Schedule, excluding those against the civil works under Part A.2 of the Project, shall include a certification from the consultants referred to in paragraphs 3(a), 5(b) or 16 of Schedule 4 to the Development Credit Agreement concerning the appropriateness and eligibility of the expenditures and the adequacy of the quality of works.

(b) The Borrower shall ensure that withdrawal applications under category 1 for Part A.2 of the Project shall include a certification from the BWDB quality assurance team, independent of the project office, concerning the appropriateness and eligibility of the expenditures and the adequacy of the quality of works.

Annex 2 SCHEDULE 2

Description of the Project

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

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: River Bank Protection Works

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

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

Part B: Operations and Maintenance

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

Part C: Resettlement

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

Part D: Strengthening of Water Sector Planning

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

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

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

Part F: Repairing Damages due to 1998 Floods

Rehabilitating flood control, drainage, irrigation and erosion control facilities damaged due to the Floods in some 40 schemes all over the country by repairing of embankments water control structures and other protection works.

Part G: Preparing a follow-up River Bank Protection Project

Preparing a long-term plan for protection of river banks against erosion, feasibility studies and design of protection works for implementation under a follow-up project.

The Project is expected to be completed by June 30, 2001.

Annex 3

The following amendments are made to Schedule 3 of the Development Credit Agreement:

A. Paragraph 1 of Part C is amended to read as follows:

"Part C: Other Procurement Procedures"

1. National Competitive Bidding

(a) Contracts for works under Part A.2 of the Project estimated to cost the equivalent of \$3,000,000 in the aggregate may be awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines. Such works shall be offered only to domestic contractors of Class A registration (as defined by the law of the Borrower) or foreign contractors meeting equivalent standards. Earthworks shall be grouped into one or two contracts. Bidders for a separate contract for the fish-pass structure shall be prequalified.

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

(c) All contracts for works under Part F of the Project may be awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(d) The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraphs (a), (b) and (c) of this Paragraph 1:

(i) Grouping of Contracts

To the extent practicable, contracts shall be grouped in bid packages to attract national bidders.

(ii) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

(aa) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;

(bb) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(cc) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

(dd) qualification criteria (in case pre-qualification was not carried out) shall be stated in the bidding documents, and, if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;

(ee) all bids for a particular contract shall be opened at a single site in public, immediately after the deadline for submission of bids;

(ff) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(gg) contracts shall not be awarded on the basis of nationally negotiated rates;

(hh) contracts shall be awarded to the lowest evaluated bidders; and

(ii) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders.

B. Paragraph 3 of Part C is amended to read as follows:

"3. Force Account

The operation and maintenance activities of the unit established under Part B of the Project and minor repairs to gates and structures under Part F of the Project estimated to cost the equivalent of US\$10,000 or less each up to an equivalent of US\$500,000 in the aggregate, may be carried out by force account."

C. Paragraphs 3, 4, and 5 are added to the Section II to read as follows:

Part A: General

3. Consultants' services for Parts F and G of the Project shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 (the 1997 Consultant Guidelines) and the following provisions of the Section II of this Schedule.

Part B: Quality- and Cost-based Selection

4. Consultants' services for Part G of the Project shall be procured under contracts awarded in accordance with the provisions of Section II of the 1997 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.

Part C: Single Source Selection

5. Services for Part F of the Project may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the 1997 Consultant Guidelines.

A new Section III is added to read as follows:

Section III: Procurement for Financing Under Second Tranche

Notwithstanding any other provision set forth or referred to in the Development Credit Agreement as amended, the goods, works and services required for items to be financed under the Second Tranche shall be procured from the Participating Countries only.

