

CONFORMED COPY

CREDIT NUMBER 2409 IN

Development Credit Agreement

(Rubber Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 12, 1993

CREDIT NUMBER 2409 IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 12, 1993, between INDIA, acting by its President, (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 Project will be carried out by the Rubber Board (the Board) and the National Bank for Agriculture and Rural Development (NABARD), with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Board and NABARD the proceeds of the Credit as provided in this Agreement; 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 and in each of the Project Agreements of even date herewith between the Association and the Board and the Association and NABARD, 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, with the last sentence of Section 3.02 deleted (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) "Act" means the Rubber Act, 1947, Act XXIV of the Borrower, as amended to date;

(b) "Board" means the Rubber Board, a body corporate of the Borrower constituted and operating pursuant to the Act;

(c) "Board Agreement" means the Project Agreement between the Association and the Board, 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 Board Agreement;

(d) "NABARD" means the National Bank for Agriculture and Rural Development, a statutory corporation established and operating pursuant to NABARD Act;

(e) "NABARD Act" means the National Bank for Agriculture and Rural Development Act, 1981, Act 61 of 1981 of the Borrower, as amended to date;

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

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

(h) "Kerala" means the State of Kerala, a State of the Borrower, or any successor thereto;

(i) "Tamil Nadu" means the State of Tamil Nadu, a State of the Borrower, or any successor thereto;

(j) "Tripura" means the State of Tripura, a State of the Borrower, or any successor thereto;

(k) "Assam" means the State of Assam, a State of the Borrower, or any successor thereto;

(l) "Maharashtra" means the State of Maharashtra, a State of the Borrower, or any successor thereto;

(m) "Goa" means the State of Goa, a State of the Borrower, or any successor thereto;

(n) "Karnataka" means the State of Karnataka, a State of the Borrower, or any successor thereto;

(o) "Project States" means Kerala, Tamil Nadu, Tripura, Assam, Maharashtra, Goa and Karnataka;

(p) "Participating Bank" means a commercial, a regional rural or a co-operative bank, satisfactory to the Association, in each Project State, with which NABARD enters into a Participation Agreement for the purposes of providing sub-loans under the Project.

(q) "Participation Agreement" means the agreement entered

into by NABARD with a Participating Bank in each Project State pursuant to Section 2.02 (a) of the NABARD Agreement for the purposes of providing Project Sub-loans (as hereinafter defined) under Parts A (i), B (i) or D of the Project;

(r) "Sub-loan" means a loan or credit made or proposed to be made by a Participating Bank to a Sub-borrower (as hereinafter defined) under Parts A (i), B (i) or D of the Project;

(s) "Sub-project" means a specific development project for planting, replanting, or processing of rubber, acceptable to the Association, to be carried out by a Sub-borrower utilizing the proceeds of a Sub-loan, in accordance with the provisions of this Agreement and the NABARD Agreement;

(t) "Sub-borrower" means the recipient of a Sub-loan;

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

(v) "ha" means hectares;

(w) "NGO" means a non-governmental organization;

(x) "Key incremental staff" means the new staffing positions for the Board referred to in Schedule 2 to the Board Agreement;

(y) "TRPC" means Tripura Rehabilitation Plantation Corporation; and

(z) "TFDPC" means Tripura Forest Development and Plantation Corporation.

## 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 sixty-six million four hundred thousand Special Drawing Rights (SDR 66,400,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project 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 deposit account in Reserve Bank of India 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 4 to this Agreement.

Section 2.03. The Closing Date shall be September 30, 1999 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

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

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or cancelled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date or at

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

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

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

Section 2.06. Commitment charges and service charges shall be payable semi-annually on June 1 and December 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 June 1 and December 1 commencing December 1, 2002 and ending June 1, 2027. Each installment to and including the installment payable on June 1, 2012 shall be one and one-fourth percent ( $1-1/4\%$ ) of such principal amount, and each installment thereafter shall be two and one-half percent ( $2-1/2\%$ ) 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, without any limitation or restriction upon any of its other obligations under the Development Credit Agreement, shall cause the Board and NABARD to perform in accordance with the provisions of the Board Agreements and NABARD Agreement all the obligations of the Board and NABARD therein set forth, shall take and cause to be taken all action, including the provision of

funds, facilities, services and other resources, necessary or appropriate to enable the Board and NABARD 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 make available as a grant SDR 26,600,000 out of the proceeds of the Credit to the Board for the purpose of carrying out Parts A (ii), B (ii), C, E and F of the Project, in accordance with the Borrower's standard arrangements for development assistance.

(c) The Borrower shall relend SDR 39,800,000 to NABARD, for the purposes of refinancing Sub-loans under Parts A (i), B (i) and D of the Project, under a subsidiary loan agreement entered into between the Borrower and NABARD, under terms and conditions which shall have been approved by the Association including those set out in the Schedule to the NABARD Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association.

(d) The Borrower shall exercise its rights under the Subsidiary Loan 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 subsidiary Loan 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. 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 Parts A (i), B (i) and D of the Project shall be carried out by NABARD pursuant to Section 2.07 of the NABARD Agreement, and in respect of Parts A (ii), B (ii), C, E and F of the Project shall be carried out by the Board pursuant to Section 2.03 of the Board Agreement.

Section 3.04. The Borrower shall furnish to the Association, not later than June 30, 1997, for the Association's review and comments, a plan for NABARD's post Project investments support for Parts A (i) and B (i) of the Project, and shall thereafter implement such a plan.

Section 3.05. The Borrower shall, by January 31, of every other year, starting January 31, 1995, in consultation with the Board and the Association, review and adjust the cess on rubber, taking into account the expenditures of the Board.

Section 3.06. The Borrower shall (i) once the new price support mechanism for rubber is approved by the relevant authorities of the Borrower, inform the Association of such mechanism, and (ii) not later than June 30, 1994, review with the Association the implementation of such mechanism, with the view of effecting any improvements that may be necessary.

Section 3.07. The Borrower shall, not later than December 31, 1994, cause Tripura to prepare and furnish to the Association, for the Association's review and comments, a land use plan for the efficient allocation of land for future expansion of rubber growing areas.

Section 3.08. The Borrower shall cause Tripura to carry out, with the assistance of the Board, the Tribal Development Plan agreed with the Association in a manner and timetable satisfactory to the Association.

## 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 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 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 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, 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 5.02 (h) of the General Conditions, the following additional events are specified:

- (a) The Board shall have failed to perform any of its obligations under the Board Agreement.
- (b) NABARD shall have failed to perform any of its obligations under the NABARD Agreement.
- (c) 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 (i) the Board will be able to perform its obligations under the Board Agreement, or (ii) NABARD will be able to perform any of its obligations under NABARD Agreement.
- (d) The Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Board to perform any of its obligations under the

Board Agreement.

(e) NABARD Act shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of NABARD to perform any of its obligations under the NABARD Agreement.

(f) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Board or NABARD, or for the suspension of the operations of the Board or NABARD.

(g) NABARD shall have become unable to pay any of its respective debts as they mature, or any action shall have been taken by NABARD or by others whereby any of the property of NABARD shall or may be distributed among its creditors.

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

(a) the event specified in paragraph (a) or (b) of Section 5.01 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;

(b) the event specified in paragraph (c), (d), (e) or (f) 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 Subsidiary Loan Agreement has been executed on behalf of the Borrower and NABARD.

(b) The Borrower shall have appointed the key incremental staff.

(c) The Project Coordination Unit referred to in Paragraph 1 (i) of Schedule 1 to the Board Agreement has been established.

(d) The Project Coordinator referred to in Paragraph 1 (ii) of Schedule 1 to the Board Agreement has been appointed.

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 Board Agreement has been duly authorized or ratified by the Board, and is legally binding upon the Board in accordance with its terms;

(b) that the NABARD Agreement has been duly authorized or ratified by NABARD, and it is legally binding upon NABARD in accordance with its terms; and

(c) that the Subsidiary Loan Agreement has been duly authorized or ratified by the Borrower and NABARD and is legally binding upon the Borrower and NABARD in accordance with its 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

##### Representatives of the Borrower; Addresses

Section 7.01. The Secretary, Additional Secretary, Joint Secretary, Director, Deputy Secretary, or Under Secretary in the Department of Economic Affairs in 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:

The Secretary to the Government of India  
Department of Economic Affairs  
Ministry of Finance  
New Delhi, India

Cable address:	Telex:
ECOFAIRS New Delhi	953-3166175

For the Association:

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

Cable address:	Telex:
INDEVAS Washington, D.C.	197688 (TRT), 248423 (RCA), 64145 (WUI) or 82987 (FTCC)

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.

INDIA

By /s/ N. Valluri  
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Cosmas L. Robless  
Acting Regional Vice President  
South Asia

#### SCHEDULE 1

##### Withdrawal of the Proceeds of the Credit

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

Amount of the Credit Allocated (Expressed in	% of Expenditures
--	----------------------



Category	SDR Equivalent)	to be Financed
(1) Re-financing by NABARD of Sub-loans made by Participating Banks under Parts A (i) and B (i) of the Project	28,400,000	100% of amount re-financed by NABARD
(2) Sub-loans under Part D of the Project		
(a) Equipment	6,900,000	100% of foreign expenditures and 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(b) Civil works	4,500,000	65%
(3) Civil works under Part E of the Project	700,000	90%

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(4) Plantation costs under Parts A (ii) and B (ii) of the Project	8,800,000	80%
(5) Goods under Parts E and F of the Project	2,900,000	100% of foreign expenditures and 100% of local expenditures (ex factory cost) and 80% of local expenditures for other items procured locally
(6) Goods under Part C of the Project	9,300,000	50%
(7) Consultants' services and training	700,000	100%
(8) NGOs' services	400,000	100%
(9) Incremental operating costs	3,300,000	95% of expenditures incurred until March 31, 1995; 75% of expenditures incurred until March 31, 1997; 60% of expenditures incurred thereafter.
(10) Unallocated	500,000	

TOTAL 66,400,000  
=====

2. For the purposes of this Schedule:

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

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

(c) the term "incremental operating costs" means the incremental costs for salaries and allowances for additional staff of the Board engaged on a full time basis in the implementation of the Project, and for operation and maintenance of additional offices and vehicles incurred by the Board for purposes of implementing the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 3,600,000 may be made on account of payments made for expenditures before that date but after March 31, 1993.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist in: (i) expanding and strengthening the rubber subsector, (ii) increasing rubber production by small holders, (iii) generating rural employment; and (iv) strengthening the institutional capabilities of the Board.

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: Replanting

- (i) Provision of Sub-loans through Participating Banks under NABARD re-financing schemes for replanting of old, low yielding rubber on about 40,000 ha in the traditional rubber growing areas of Kerala and Tamil Nadu; and
- (ii) provision of planting assistance by the Board to cover part of the per hectare cost of rubber planting channelled to small holders through the Participating Banks.

Part B: New Planting

- (i) Provision of Sub-loans through Participating Banks under NABARD re-financing schemes for new rubber planting on about 29,500 ha, consisting of about 23,000 ha in Kerala and Tamil Nadu, about 5,000 ha in Tripura, and about 1,500 ha of pilot plantation in selected areas in Assam, Maharashtra, Goa and Karnataka; and
- (ii) provision of planting assistance by the Board to cover part of the per hectare cost of rubber planting to rubber growers.

Part C: Productivity Enhancement

Enhancing productivity of existing rubber holdings in Kerala and Tamil Nadu through the adoption of improved field practices such as discriminatory use of fertilizer, plant protection, tapping

systems and use of latex flow stimulants and rain guarding.

Part D: Processing Facilities

Provision of Sub-loans through Participating Banks under NABARD re-financing schemes for upgrading and establishment of processing facilities for different categories of rubber (sheets, crumb and centrifuged latex), and value added rubber by-products such as processed wood, including:

- (i) establishment of three new factories for concentrate latex production and provision of about 20 centrifuge machines to expand existing factories;
- (ii) improving the storage facilities at about 25 factories;
- (iii) establishment of about 10 technically specialized rubber (TSR) factories;
- (iv) establishment of about 30 small capacity ribbed smoked sheet (RSS) factories;
- (v) improvement of the quality of small holder rubber through: (a) establishment of about five units for reprocessing of poor quality sheets, and (b) adoption of improved design for smoking and drying of artisanal small holder sheets;
- (vi) conversion of existing smoke brown crepe factories into TSR factories;
- (vii) establishment of a factory for the production of innovative rubber products such as prevulcanized latex;
- (viii) improving the efficiency and upgrading of effluent control facilities at existing factories; and
- (ix) establishment of five rubber wood processing factories.

Part E: Institutional Support

Strengthening the institutional capabilities of the Board through:

- (i) establishment of new zonal and regional offices;
- (ii) provision of computers;
- (iii) carrying out of rubber research programs, including 500 ha of rubber pilot programs in selected States in India;
- (iv) recruitment of about 90 extension staff;
- (v) construction of a training center and provision of training equipment and vehicles;
- (vi) carrying out of a study for developing a price stabilization mechanism for rubber; and
- (vii) provision of training and consultants' services.

Part F: Women and Tribal Development

Promotion, with the assistance of NGOs, of a number of income generating schemes for women and tribal people such as bee-keeping, sericulture, intercropping and spice and medicinal herb cultivation

on homestead.

\* \* \*

The Project is expected to be completed by September 30, 1998.

### SCHEDULE 3

#### Procurement and Consultants' Services

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

###### Part A: International Competitive Bidding

Except as provided in Part C hereof, goods 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 India 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. Except as provided in paragraphs 2 and 3 hereof: (i) goods for Part C of the Project estimated to cost the equivalent of less than \$100,000 per contract, up to an aggregate amount not exceeding the equivalent of \$7,100,000, and (ii) computers costing up to an aggregate of \$300,000, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. (i) Goods for Part F of the Project, and equipment and furniture estimated to cost the equivalent of less than \$25,000 per contract, up to an aggregate amount not exceeding \$4,200,000, (ii) vehicles estimated to cost the equivalent of less than \$25,000 per contract, up to an aggregate amount not exceeding \$500,000, and (iii) goods for Part C of the Project estimated to cost the equivalent of less than \$20,000 per contract, up to an aggregate amount not exceeding the equivalent of \$500,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association.

3. Contracts for (i) goods and works under Parts A and B of the Project, and (ii) equipment and works under Part D of the Project estimated to cost less than \$200,000 equivalent per contract, may be awarded on the basis of the established commercial practice of the purchaser, acceptable to the Association.

4. Civil works under Part E of the Project estimated to cost up to an aggregate amount not exceeding \$1,120,000, may be carried out through force account in a manner satisfactory to the Association.

###### 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 estimated to cost the equivalent of \$200,000 or more, 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 4 to this Agreement.

(c) The provisions of the preceding subparagraph (b) shall not apply to contracts on account of which withdrawals from the Credit Account are to be made on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (b)(ii) of the Development Credit Agreement.

2. The figure of 15% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

## Section II. Employment of Consultants

In order to assist in carrying out the Project, the Borrower and the Board shall 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 4

#### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1) through (9) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

(b) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and

(c) the term "Authorized Allocation" means an amount equivalent to \$4 million to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the

Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

- (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

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

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

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

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

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

