

CONFORMED COPY

CREDIT NUMBER 1876 BD

(Second Flood Rehabilitation Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated February 19, 1988

CREDIT NUMBER 1876 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated February 19, 1988, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

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

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

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the 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) "BWDB" means the Bangladesh Water Development Board established and operating pursuant to the Bangladesh Water and Power Development Board Order, 1972 (P.O. No. 59 of 1972), as amended to the date of this Agreement;

(b) "DPE" means the Directorate of Primary Education within the Ministry of Education of the Borrower;

(c) "BIWTA" means the Bangladesh Inland Water Transport Authority established under the Inland Water Transport Authority Ordinance, 1958 (EP Ordinance No. LXXV of 1958);

(d) "LGD" means the Local Government Division within the Ministry of Local Government, Rural Development and Cooperatives of the Borrower;

(e) "RHD" means the Roads and Highways Department of the Ministry of Communications of the Borrower;

(f) "Implementing Agencies" means BWDB, DPE, BIWTA, LGD and RHD collectively;

(g) "Bangladesh Bank" means the Central Bank of Bangladesh established under Bangladesh Bank Order, 1972 (President's Order No. 127, 1972);

(h) "Rehabilitation Works" means any program of reconstruction or repair, including the provision of equipment and technical assistance therefor, selected or proposed to be selected by the Borrower under the Project pursuant to Section 3.02 of this Agreement;

(i) "Special Account" means the accounts referred to in Section 2.02 (b) of this Agreement; and

(j) "TK" means Taka, the currency of the Borrower.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to eighteen million two hundred thousand Special Drawing Rights (SDR 18,200,000).

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

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in Bangladesh Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 1989, 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 at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) 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 May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b) and (c) below, the Borrower shall repay the principal amount of the Credit in semi-annual installments payable on each May 1 and November 1 commencing May 1, 1998, and ending November 1, 2027. Each installment to and including the installment payable on November 1, 2007, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever (i) the Borrower's gross national product per capita, as determined by the Association, shall have exceeded \$790 in constant 1985 dollars for five consecutive years and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the terms of repayment of installments under paragraph (a) above by requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid. If so requested by the Borrower, the Association may revise such modification to include, in lieu of some or all of the increase in the amount of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(c) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the Implementing Agencies with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the generality of paragraph (a) of this Section and the provisions of Section 9.07 of the General Conditions, the Borrower shall ensure that adequate funds are allocated for the operation and maintenance of the Rehabilitation Works.

Section 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall select Rehabilitation Works to be carried out under the Project in accordance with criteria mutually agreed between the Borrower and the Association including those set forth in Schedule 5 to this Agreement.

Section 3.03. 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 3.04. The Borrower shall construct and improve all works included under the Project in accordance with design standards and construction specifications mutually agreed between the Borrower and the Association.

ARTICLE IV

Other Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof, including the Implementing Agencies.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

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

(iii) furnish to the Association such other information concerning the said records, accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

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

(ii) retain, until one year after the Association has received the audit report for the fiscal year in which the last disbursement from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;

(iii) enable the Association's representatives to examine such records; and

(iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE V

Effective Date

Section 5.01. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Secretary or any Additional Secretary, Joint Secretary, Deputy Secretary or Assistant Secretary of the External Resources Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

External Resources Division

Ministry of Finance
Government of the People's
Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

BAHIRSAMPAD
Dhaka

Telex:

642226 SETU BJ

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

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

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ A. H. S. Ataul Karim

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ A. Karaosmanoglu

Regional Vice President
Asia

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

Category	Amount of the it Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) BWDB (Part A of the Project):		
(a) Civil works (including construction materials)	4,900,000	95%
(b) Consultants' services	150,000	100%
(2) DPE (Part C of the Project):		

(a)	Civil works (including construction materials)	4,100,000	95%
(b)	Equipment and furniture	500,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items pro- cured locally
(3)	BIWTA (Part D of the Project):		
(a)	Civil works (including construction materials)	370,000	95%
(b)	Equipment		
(i)	Vessel Spares	180,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items pro- cured locally
(ii)	Other	1,200,000	
(4)	LGD (Part B of the Project):		
(a)	Civil works (including construction materials)	1,850,000	95%
(b)	Consultants' services	300,000	100%
(5)	RHD (Part B of the Project):		
(a)	Civil works (including construction materials)	4,200,000	95%
(b)	Consultants' services	450,000	100%
	TOTAL	18,200,000	

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; and

(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.

3. Withstanding 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, not exceeding the aggregate amount of SDR 3,000,000 and consisting, except as the Association shall otherwise agree, of the amounts specified below in respect of the Categories directly opposite to them, may be made on account of payments made for expenditures before that date but after October 1, 1987:

- (i) SDR 750,000 for Category (1);
- (ii) SDR 750,000 for Category (2);
- (iii) SDR 375,000 for Category (3);
- (iv) SDR 375,000 for Category (4); and
- (v) SDR 750,000 for Category (5);

(b) expenditures under the Categories specified below until the Association has notified the Borrower that the Association is satisfied with the appointment of the following consultants:

- (i) in respect of Category (1), to assist BWDB in carrying out Part A of the Project;
- (ii) in respect of Category (3), to assist BIWTA in carrying out Part D of the Project;
- (iii) in respect of Category (4), to assist LGD in carrying out its portion of Part B of the Project; and
- (iv) in respect of Category (5), to assist RHD in carrying out its portion of Part B of the Project.

SCHEDULE 2

Description of the Project

The objectives of the Project are to assist the Borrower in the financing of a high priority program to restore flood damaged facilities in the Borrower's territory.

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:

Restoration, by BWDB, of irrigation, drainage and flood protection works, including: the compacted filling of embankment breaches; the resectioning, strengthening and protecting of damaged embankments; the retirement of embankments where the existing location is no longer tenable; the repair or replacement of damaged or destroyed water control structures; and the reconstruction of town protection works including groynes, sheet piling, brick mattressing, boulder and cement block revetments, and flood walls.

Part B:

1. Restoration, by (a) RHD and (b) LGD, of roads and associated structures, including: the compacted filling of embankment breaches; the resectioning, strengthening and protecting of eroded embankments; the reconstruction of damaged culverts, bridges and retaining walls; the restoration of road shoulders; the repair and strengthening of damaged pavement; and the construction of additional drainage and culverts in flood damaged areas.

2. Provision of consultants' services to assist with the design of the rehabilitation, under future projects, of flood damaged roads and associated structures.

Part C:

Provision of furniture and equipment and reconstruction and repair of primary

schools to permanent standards by DPE.

Part D:

1. Acquisition, by BIWTA, of navigational aids, hydrographic survey and water gauging equipment and vessel spares to replace the flood damaged equipment, including: steel lantern buoys, mooring gear, dredger pipe, shore beacons, markers, gauges and recorders.
2. Acquisition, by BIWTA, of a tugboat for use in flood rehabilitation work.
3. Repair, by BIWTA, of flood damaged ferry docks and related structures, cargo jetties, passenger jetties, port facilities, and pontoons including replacement of mooring shackles.

* * *

The Project is expected to be completed by December 31, 1988.

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 Bangladesh may be granted a margin of preference in accordance with, and subject to, the provisions of paragraphs 2.55 and 2.56 of the Guidelines and paragraphs 1 through 4 of Appendix 2 thereto.

Part C: Other Procurement Procedures

1. Contracts for civil works shall be awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association, provided, however, that: (i) civil works under Parts A, B (1)(a), C and D (3) of the Project, up to an aggregate amount not exceeding SDR 2,500,000 equivalent may be carried out through force account; and (ii) except as the Association shall otherwise agree, civil works under Part B (1)(a) of the Project shall be grouped into bid packages estimated to cost TK 2,500,000 or more each, and under Part B (1)(b) of the Project into bid packages estimated to cost TK 1,000,000 or more each.
2. Pontoons repairs, buoys and related equipment for Part D of the Project (excluding the BIWTA tugboat as well as gauges and instruments) may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.
3. Proprietary items required for Part D of the Project, up to an aggregate amount not exceeding SDR 350,000 equivalent, may be procured through direct contracting with the suppliers or manufacturers thereof under procedures 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 for civil works and equipment estimated to cost the equivalent of \$150,000 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 subparagraphs (a) and (b) shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure. Such contracts shall be retained in accordance with Section 4.01 (c) (ii) of this Agreement.

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

Section II. Employment of Consultants

In order to assist the Borrower in carrying out Parts A and B of the Project, the Borrower shall employ or cause to be employed 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 (5) set forth in the table in paragraph 1 of Schedule 1 to this Agreement;

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

(c) the term "Authorized Allocation" means an amount equivalent to SDR 6,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

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

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

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

4. For each payment made by the Borrower out of the Special Account for which the

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

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

- (i) the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of paragraph (a) of Section 2.02 of this Agreement; or
- (ii) the total unwithdrawn amount of the Credit allocated to the eligible Categories minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

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

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

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

SCHEDULE 5

Criteria for the Selection of Rehabilitation Works

1. Except as the Association shall otherwise agree, all Rehabilitation Works estimated to cost the equivalent of \$500,000 or more, shall be undertaken only after prior review and approval by the Association of the scope and cost of such works.

2. Rehabilitation Works not covered by the preceding paragraph shall be selected in accordance with the following criteria:

(a) damages to be repaired shall be:

(i) a consequence of the 1987 floods, or damages which, if not repaired, will vitiate or seriously diminish the effectiveness of other flood damages being repaired under the Project; and

(ii) of significant nature, not include minor works of deferred maintenance, and, except as the Association shall otherwise agree, shall (a) in respect of Part B (1)(a) of the Project have an estimated value of TK 500,000 or more; and (b) in respect of Part B (1)(b) of the Project, have an estimated value of TK 200,000 or

more.

(b) reconstruction work shall restore structures to their original specifications or to such higher specifications, including necessary additions or alterations, as may be warranted to ensure their optimal performance and integrity

over a reasonable life; and

(c) other external sources of finance are not available.

3. All rehabilitation works selected for financing under the Credit under Parts A and B of the Project shall first have been reviewed by the supervising consultants employed under the Project and found by such consultants as complying with criteria set out in paragraph 2 of this Schedule.

