

CONFORMED COPY

CREDIT NUMBER 2774-IN

Development Credit Agreement

(Hydrology Project)

between

INDIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 22, 1995

CREDIT NUMBER 2774-IN

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated September 22, 1995, 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) Part A of the Project will be carried out by the States of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu (hereinafter called the Project States) with the Borrower's assistance and, as part of such assistance, the Borrower will make available to the Project States part of 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 the Project Agreements of even date herewith between the

Association and the Project States;

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) "Project States" means the States of Andhra Pradesh, Gujarat, Kerala, Madhya Pradesh, Maharashtra, Orissa and Tamil Nadu of the Borrower, and the term "State" means any of those States;

(b) "Project Agreement" means the agreement between the Association and the Project States 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 States Agreement;

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

(d) "MOWR" means the Ministry of Water Resources of the Borrower, or any successor thereto;

(e) "CWC" means the Central Water Commission, an agency under MOWR, or any successor thereto;

(f) "CGWB" means the Central Groundwater Board, an agency under MOWR, or any successor thereto;

(g) "NIH" means the National Institute of Hydrology, an agency under MOWR, or any successor thereto;

(h) "CWPRS" means the Central Water and Power Research Station, an agency under MOWR, or any successor thereto;

(i) "MOWR Agencies" means CWC, CGWB, NIH and CWPRS;

(j) "IMD" means India Meteorological Department, or agency under the Ministry of Science and Technology of the Borrower, or any successor thereto;

(k) "Central Agencies" means CWC, CGWB, NIH, CWPRS and IMD; and

(l) "Fiscal year" means the financial year of the Borrower and the Project States, commencing April 1, and ending March 31 of each year.

#### 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 ninety million one hundred thousand Special Drawing Rights (SDR 90,100,000).

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 and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special deposit account in the 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 March 31, 2002 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 semiannually on January 15 and July 15 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 January 15 and July 15 commencing January 15, 2006 and ending July 15, 2030. Each installment to and including the installment payable on July 15, 2015 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 objective 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 (i) cause MOWR to coordinate the overall implementation of the Project; (ii) carry out Part B of the Project through MOWR Agencies; and (iii) carry out Part C of the Project through IMD; all with due diligence and efficiency, and in conformity with appropriate administrative, financial and environmental practices, and technical and hydrological practices, standards and criteria, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and the Borrower shall otherwise agree, the Borrower shall cause the Central Agencies to carry out Parts B and C of the Project in accordance with the Implementation Program set forth in Schedule 5 to this Agreement.

(c) Without limitation or restriction upon any of its obligations under this Agreement, the Borrower shall cause the Project States to perform in accordance with the provisions of the Project Agreement all the obligations of the Project States 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 Project States to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(d) The Borrower shall make the proceeds of the Credit available to the Project States and the Central Agencies in accordance with the Borrower's standard arrangements for developmental assistance to the States of India and to its Central Agencies.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works and 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 Part A of the Project shall be carried out by the Project States pursuant to Section 2.03 of the Project Agreement.

Section 3.04. Without limitation upon the provisions of Article IX of the General Conditions, the Borrower shall:

- (a) prepare and furnish to the Association not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan, of such scope and in such detail as the Association shall reasonably request, for the future operation of Parts B and C of the Project;
- (b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan; and
- (c) thereafter, carry out said plan with due diligence and efficiency and in accordance with appropriate practices, taking into account the Association's comments thereon.

#### ARTICLE IV

##### Financial Covenants

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

- (b) The Borrower shall:
  - (i) have the records and accounts referred to in paragraph (a) of this Section 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; and
  - (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (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 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 (h) of the General Conditions, the following additional events are specified:

- (a) Any of the Project States shall have failed to perform any of its obligations under the Project Agreement.
- (b) 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 any of the Project States will be able to perform its obligations under the Project Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 (a) 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.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following is specified as an additional matter, within the meaning of Section 12.02 (b) of the General Conditions, to be included in the opinion or opinions to be furnished to the Association, namely, that the Project Agreement has been duly authorized or ratified by each of the Project States, and is legally binding upon each of the Project States in accordance with its terms.

Section 6.02. 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 of 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, PIN 110001  
India

Cable address:

ECOFAIRS  
New Delhi

Telex:

953-3166175

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:

248423 (RCA)  
82987 (FTCC)  
64145 (WUI) or  
197688 (TRT)

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/ Heinz Vergin

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Civil works	19,900,000	80%
(2) Goods	30,000,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(3) Consultants' services, training, and studies	9,000,000	100%
(4) Incremental staff salaries and incremental operation and maintenance costs	23,600,000	90% until March 31, 1999, 75% until March 31, 2000, and 50% thereafter
(5) Unallocated	7,600,000	
TOTAL	90,100,000 =====	

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 staff salaries" means salaries in respect of posts created for the Project after March 31, 1995, and "incremental operation and maintenance costs" means operations and maintenance costs of additional office space, vehicles and equipment incurred under the Project after March 31, 1995.

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 to exceed SDR 3,800,000



may be made on account of payments made for expenditures before that date but after March 31, 1995.

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 not exceeding \$200,000 equivalent, except for the first three contracts of each civil works and goods for each of the Project States and each of the Central Agencies; (b) services under contracts not exceeding \$100,000 equivalent for employment of consulting firms and \$50,000 equivalent for employment of individual consultants, respectively; (c) training and fellowships; (d) works procured under force account; and (e) incremental salaries and incremental operational and maintenance costs, all 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 assist the Borrower and the Project States in improving their organizational arrangements, institutional and technical capabilities, and physical facilities for measurement, validation, collation, analysis, transfer and dissemination of hydrological, hydrometeorological and water quality data, and for basic water resource evaluations.

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 objective:

#### Part A: Project States

##### (a) Hydrometry and Data Management

1. Upgrading and expanding the physical infrastructure for hydrometric activities related to the quantity and quality of surface water and ground water resources and for monitoring of hydrometeorological parameters through construction of observation site works and buildings, and provisions of measuring instruments and equipment, and laboratory facilities.

2. Upgrading systems for collection, validation, and processing of data on reservoir operations and river diversions, and return flows from surface water diversions and on ground water withdrawals through the provisions of buildings and measuring instruments and equipment.

3. Upgrading and standardization of data management facilities by establishment of computerized data banks for the storage and retrieval, analysis and dissemination of data related to the quantity and quality of surface water and ground water resources and for monitoring of hydrometeorological parameters, including provision of equipment and buildings.

4. Provision of communication systems, including equipment and services to inter-connect the project computerized data centers.

5. Provision and installation of instruments and equipment, and services to improve or establish flood forecasting systems.

6. Provision of instruments and equipment, and services for sediment surveys of reservoirs.

7. Carrying out of survey, investigation and design of hydrometric and hydrometeorological activities.

##### (b) Institutional Strengthening

8. Strengthening existing hydrological and hydrometeorological institutions in technical and management areas through the provision of local training, incremental staffing and operation and maintenance, equipment and vehicles.

9. Provision of consultants' services, overseas training and study tours, and studies for institutional strengthening.

Part B: MOWR and MOWR Agencies

(a) Hydrometry and Data Management

1. Upgrading and expanding the physical infrastructure for hydrometric activities related to the quantity and quality of surface water and ground water resources and for monitoring of hydrometeorological parameters through construction of observation site works and provisions of measuring instruments and equipment, and laboratory facilities.

2. Upgrading and standardization of data management facilities by establishment of computerized data banks for the storage and retrieval, analysis and dissemination of data related to the quantity and quality of surface water and ground water resources and for monitoring of hydrometeorological parameters, including provision of equipment and buildings.

3. Provision of communication systems, including equipment and services to inter-connect the project computerized data centers.

4. Carrying out of survey, investigation and design of hydrometric and hydrometeorological activities.

5. Carrying out of research and development related to hydrometry, water quality measurements and data processing.

6. Upgrading calibration facilities through the provision of works, instruments, equipment and services.

(b) Institutional Strengthening

7. Strengthening existing hydrological and hydrometeorological institutions in technical and management areas through the provision of training facilities, local training, incremental staffing and operation and maintenance, equipment and vehicles.

8. Provision of infrastructural support for the National Water Academy at Pune, and the National Groundwater Training and Research Institute at Raipur.

9. Provision of consultants' services, overseas training and study tours, and studies for institutional strengthening.

Part C: IMD

(a) Hydrometeorology and Data Management

1. Upgrading and standardization of data management facilities by establishment of computerized data banks for the storage and retrieval, analysis and dissemination of data related to monitoring of hydrometeorological parameters, including provision of equipment and buildings.

2. Provision of equipment and services to inter-connect the project computerized data centers.

3. Carrying out of survey, investigation and design of hydrometeorological activities.

4. Upgrading calibration facilities through the provision of works, instruments, equipment and services.

5. Carrying out of research and development related to hydrometeorological measurements and data management.

(b) Institutional Strengthening

6. Strengthening IMD's technical and management capabilities through the provision of training facilities, local training, incremental staffing and operation and maintenance, equipment and vehicles to assist IMD in providing technical support to the Project states, MOWR, and MOWR agencies in (i) upgrading and expanding the physical infrastructure for monitoring of hydrometeorological parameters; and (ii) strengthening related institutional arrangements.

7. Provision of consultants' services, overseas training and study tours, and studies for institutional strengthening.

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

SCHEDULE 3

Procurement and Consultants' Services

Section I: Procurement of Goods and Works

Part A: International Competitive Bidding

1. 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 1992 (the Guidelines), and in accordance with the following procedures:

(a) When contract award is delayed beyond the original bid validity period, such period may be extended once, subject to and in accordance with the provisions of paragraph 2.59 of the Guidelines, by the minimum amount of time required to complete the evaluation, obtain necessary approvals and clearances and award the contract. The bid validity period may be extended a second time only if the bidding documents or the request for extension shall provide for appropriate adjustment of the bid price to reflect changes in the cost of inputs for the contract over the period of extension. Such an increase in the bid price shall not be taken into account in the bid evaluation. With respect to each contract made subject to the Bank's prior review in accordance with the provisions of Part D 1(a) of this Section, the Association's prior approval will be required for (i) a first extension of the bid validity period if the period of extension exceeds sixty (60) days, and (ii) any subsequent extension of the bid validity period.

(b) In the procurement of goods in accordance with Part A, the Borrower and the Project States shall use the relevant standard bidding documents issued by the Bank, with such modifications thereto as the Association shall have agreed to be necessary for the purpose of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower and the Project States shall use bidding documents based on other internationally recognized standard forms agreed with the Association.

2. To the extent practicable, contracts for goods shall be grouped into bid packages estimated to cost the equivalent of \$200,000 or more.

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 paragraph 2 hereof, civil works may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

2. Civil works estimated to cost the equivalent of \$20,000 or less per contract, up to an aggregate amount not exceeding \$14,300,000 equivalent, may be carried out by force account in a manner satisfactory to the Association.

3. (i) Equipment estimated to cost the equivalent of not more than \$200,000 per contract, up to an aggregate amount not exceeding \$10,000,000 equivalent, and (ii) vehicles estimated to cost more than \$200,000 per contract, up to an aggregate amount not exceeding \$2,700,000 equivalent, may be procured under contracts awarded on the basis of competitive bidding, advertised locally, in accordance with procedures satisfactory to the Association.

4. (i) Equipment estimated to cost the equivalent of not more than \$50,000 per contract, up to an aggregate amount not exceeding \$7,600,000, and (ii) vehicles estimated to cost the equivalent of not more than \$50,000 per contract, up to an aggregate amount not exceeding \$900,000 equivalent, may be procured 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.

5. Proprietary equipment and software estimated to cost the equivalent of not more than \$1,500,000 may be directly purchased in accordance with procedures acceptable 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 (i) the first three contracts of each civil works and goods for each of the Project States and each of the Central Agencies, and (ii) 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 the Development Credit 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.

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

#### Section II: Employment of Consultants

1. In order to assist in carrying out the Project, the Borrower and the Project States 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 (the Consultants' Guidelines). For complex, time-based assignments, the Borrower and the Project States shall employ such consultants under contracts using the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed with the Association. Where no relevant standard contract documents have been issued by the Bank, the Borrower and the Project States shall use other standard forms agreed with the Association.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Association review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts, shall not apply to (a) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each or (b) contracts for the employment of individuals estimated to cost less than \$50,000 equivalent each. However, said exceptions to prior Association review shall not apply to (a) the terms of reference for such contracts, (b) single-source selection of consulting firms, (c) assignments of a critical nature, as reasonably determined by the Association, (d) amendments to contracts for the employment of consulting firms raising the contract value to \$100,000 equivalent or above, or (e) amendments to contracts for the employment of individual consultants raising the contract value to \$50,000 equivalent or above.

#### SCHEDULE 4

##### Special Account

1. For the purposes of this Schedule:

(a) the term "eligible Categories" means Categories (1), (2), (3) and (4) 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 \$6,000,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule, provided, however, that, unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to \$4,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered by the Association pursuant to Section 5.02

of the General Conditions shall be equal to or exceed the equivalent of SDR 14,600,000.

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

(b) Each payment (including a payment under a letter of credit) for an eligible expenditure in an amount equal to or less than the equivalent of \$2,000,000 shall be made exclusively out of the Special Account. The Association may from time to time, by notice to the Borrower, revise the threshold amount specified in the preceding sentence.

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 Association 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) if the Borrower shall have failed to furnish to the

Association, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

(c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions.

(d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments 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 foran 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.

#### SCHEDULE 5

##### Implementation Program

1. To assist in the implementation of Parts B and C of the Project, the Borrower shall maintain at the central level Project coordination arrangements agreed with the Association.

2. The Borrower shall, not later than March 31, 1996, employ in accordance with the provisions of Section II of Schedule 3 to

the Development Credit Agreement, the team of main consultants to assist in the implementation of Parts B and C of the Project.

3. The Borrower shall undertake in collaboration with the Project States and the Association, not later than October 31 of each year, starting October 31, 1996, an annual review of the Project, and shall incorporate the findings of such review in the work programs referred to in paragraph 4(a) below.

4. (a) The Borrower shall furnish to the Association for the Association's review and comments not later than December 31 of each year, starting December 31, 1996, work program, cost estimates, and budget proposals for Parts B and C of the Project for the following fiscal year.

(b) Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall make budgetary provisions sufficient to implement the work program referred to in (a) above, starting fiscal year 1995 - 1996, and for each subsequent fiscal year thereafter until Project completion.

5. To assist in the management and dissemination of hydrological data generated through the Project, the Borrower shall set up, not later than December 31, 1995, hydrology data user groups with membership and terms of reference agreed with the Association.

6. Without limitations to the provisions of Section 3.01 of this Agreement and paragraph 4 of this Schedule the Borrower shall take all necessary action for providing, in a timely manner, all the funds needed for covering operation and maintenance costs under Parts B and C of the Project.

