

No. 18319

**INTERNATIONAL FUND
FOR AGRICULTURAL DEVELOPMENT
and
BANGLADESH**

Loan Agreement—*Pabna Irrigation and Rural Development Project* (with schedules and General Conditions applicable to Loan and Guarantee Agreements of the Fund dated 11 April 1978). Signed at Dacca on 3 March 1979

Authentic text: English.

Registered by the International Fund for Agricultural Development on 26 February 1980.

**FONDS INTERNATIONAL
DE DÉVELOPPEMENT AGRICOLE
et
BANGLADESH**

Accord de prêt — *Projet de développement rural et d'irrigation de Pabna* (avec annexes et Conditions générales applicables aux accords de prêt et de garantie du Fonds en date du 11 avril 1978). Signé à Dacca le 3 mars 1979

Texte authentique : anglais.

Enregistré par le Fonds international de développement agricole le 26 février 1980.

LOAN AGREEMENT¹ (*PABNA IRRIGATION AND RURAL DEVELOPMENT PROJECT*) BETWEEN PEOPLE'S REPUBLIC OF BANGLADESH AND INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT

Dated 3 March 1979

Loan No. 9-BAN

LOAN AGREEMENT

LOAN AGREEMENT, dated 3 March 1979, between PEOPLE'S REPUBLIC OF BANGLADESH (hereinafter called the Borrower) and the INTERNATIONAL FUND FOR AGRICULTURAL DEVELOPMENT (hereinafter called the Fund).

WHEREAS:

(A) The Borrower has applied to the Fund for a Loan for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(B) The Borrower and the Asian Development Bank (hereinafter called the Bank) have entered into a Loan Agreement dated 6 February 1979, for the purposes of the Project (hereinafter called the Bank Loan Agreement);

(C) The Project will be carried out by the Bangladesh Water Development Board (hereinafter called "BWDB") and for this purpose the Borrower will make available to BWDB the proceeds of the Loan provided for herein upon terms and conditions satisfactory to the Fund; and

(D) The Fund has agreed to make a Loan to the Borrower upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties hereto agree as follows:

Article I. GENERAL CONDITIONS; DEFINITIONS

Section 1.01. All the provisions of the General Conditions applicable to Loan and Guarantee Agreements of the Fund dated 11 April 1978² are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modification thereof (said General Conditions as so modified being hereinafter called the General Conditions): the following subparagraph is added to Section 4.01:

"(d) In various currencies equivalent to an amount in United States dollars."

Section 1.02. Wherever used in this Loan Agreement, 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) "BWPDB Order" means the Bangladesh Water and Power Development Boards Order 1972 (President's Order No. 59 of 1972);

¹ Came into force on 28 May 1979 by notification from the Fund to the Government of Bangladesh, in accordance with its section 6.01 and with sections 10.01 and 10.02 of the General Conditions.

² See p. 135 of this volume.

(b) "BWDB" means the Bangladesh Water Development Board, established under the BWPDB Order;

(c) "BPDB" means the Bangladesh Power Development Board, established under BWPDB Order;

(d) "DEM" means the Directorate of Extension and Management of the Ministry of Agriculture and Forest of the Borrower;

(e) "MOF" means the Ministry of Food of the Borrower;

(f) "DOF" means the Directorate of Food of the Ministry of Food;

(g) "BTTB" means the Bangladesh Telegraph and Telephone Board of the Borrower;

(h) "BADC" means the Bangladesh Agricultural Development Corporation of the Borrower;

(i) "IRD" means the Integrated Rural Development Program, an agency of the Ministry of Local Government, Rural Development and Cooperatives of the Borrower;

(j) "Project Area" means the area of about 185,000 ha located in the flood plains and at the confluence of the Jamuna and Padma Rivers about 125 km northwest of Dacca in the Districts of Pabna and Rajshahi;

(k) "Project Executing Agency" for the purposes of, and within the meaning of, the General Conditions, means BWDB, which is responsible for the carrying out of the Project;

(l) "Project Agreement" means the agreement between the Bank and the Project Executing Agency, dated _____ ;

(m) "Project Facilities" means the facilities to be constructed under the Project.

Article II. THE LOAN

Section 2.01. The Fund agrees to lend to the Borrower an amount in various currencies equivalent to thirty million dollars (\$30,000,000).

Section 2.02. The Borrower shall pay to the Fund a service charge at the rate of one per cent (1%) per annum on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. For any special commitment entered into by the Fund at the request of the Borrower pursuant to Section 6.02 of the General Conditions, the Borrower shall pay to the Fund a fee at the rate of one-half of one per cent (0.5%) per annum on the principal amount of such special commitment outstanding from time to time.

Section 2.04. The service charge and any other charge on the Loan shall be payable semi-annually on 1 April and 1 October in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in equal semi-annual installments of 375,000 payable each 1 April and 1 October, starting 1 April 1989 and ending 1 October 2028.

Article III. USE OF PROCEEDS OF THE LOAN

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the Provisions of this Loan Agreement.

Section 3.02. The goods and services to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services shall be in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time.

Section 3.03. Except as the Borrower and the Fund shall otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of international competitive bidding specified in the provisions of the Bank Loan Agreement and in accordance with the procurement and eligibility requirements specified by the Fund from time to time.

Section 3.04. Except as the Borrower and the Fund shall otherwise agree, the Borrower shall cause all goods and services financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The closing date for withdrawals from the Loan Account for the purposes of Section 9.03 (iii) of the General Conditions shall be 30 June 1986 or such other date as may from time to time be agreed between the Borrower and the Fund.

Article IV. PARTICULAR COVENANTS

Section 4.01 (a) The Borrower shall cause BWDB to carry out the Project with due diligence and efficiency and in conformity with sound administrative, financial, engineering, agricultural and rural development practices and in accordance with the provisions of this Loan Agreement.

(b) The Borrower shall perform, or cause to be performed, all obligations relating to the execution of the Project and operation of the Project Facilities included in the Bank Loan Agreement and the Project Agreement in the same manner as if they were set forth in this Loan Agreement.

Section 4.02. The Borrower shall make available, or cause to be made available to BWDB, promptly as needed, the funds, facilities, services, lands and rights thereto and other resources which are required, in addition to the proceeds of the Loan, for the carrying out of the Project and for the operation and maintenance of the Project facilities.

Section 4.03. (a) In the carrying out of the Project, the Borrower shall cause competent and qualified consultants and contractors acceptable to the Borrower and the Fund to be employed by BWDB to an extent and upon terms and conditions satisfactory to the Borrower and the Fund.

(b) The Borrower shall cause the Project to be carried out in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to the Borrower and the Fund. The Borrower shall furnish or cause to be furnished to the Fund, promptly after their preparation, such plans, design standards, specifications and work schedules and any material modifications subsequently made therein, in such detail as the Fund shall reasonably request.

Section 4.04. The Borrower shall ensure that the activities of BWDB, DEM, BADC, BPDB, BTTB, MOF, and other departments and agencies with respect to the carrying out of the Project and operation of the Project facilities are conducted and coordinated in accordance with sound administrative policies and procedures.

Section 4.05. (a) The Borrower shall cause BWDB to make arrangements satisfactory to the Fund for insurance of the Project facilities to such extent and against such risks and in such amounts as shall be consistent with sound practice.

(b) Without limiting the generality of the foregoing, the Borrower undertakes to insure or cause to be insured the goods to be imported for the Project and to be financed out of the proceeds of the Loan against hazards incident to the acquisition, transportation and delivery thereof to the place of use or installation, and for such insurance any indemnity shall be payable in currency freely usable to replace or repair such goods.

Section 4.06. (a) The Borrower shall cause BWDB to maintain records adequate to identify the goods and services financed out of the proceeds of the Loan, to disclose the use thereof in the Project, to record the progress of the Project (including the cost thereof) and to reflect in accordance with consistently maintained sound accounting practices its operations and financial condition, and to the extent relevant to the Project, of any other agencies of the Borrower responsible for carrying out of the Project and operation of the Project facilities, or any part thereof.

(b) The Borrower shall cause BWDB to: (i) maintain separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with sound auditing principles, by auditors acceptable to the Fund; (iii) furnish to the Fund and the Cooperating Institution, as soon as available but in any event not later than six months after the end of each related fiscal year, certified copies of such audited financial statements and the report of the auditors relating thereto, all in the English language; and (iv) furnish to the fund and the Cooperating Institution such other information concerning such accounts and financial statements and the audit thereof as the Fund or the Cooperating Institution shall from time to time reasonably request.

(c) The Borrower shall cause the Project Executing Agency to have its accounts and financial statements (balance sheet, statement of income and expenses and related statements) audited annually, in accordance with sound auditing principles by auditors acceptable to the Fund and shall, promptly after their preparation but in any event not later than six (6) months after the close of the fiscal year to which they relate, furnish to the Fund and the Cooperating Institution (i) certified copies of such audited financial statements and (ii) the report of the auditors relating thereto, all in the English language. The Project Executing Agency shall furnish to the Fund or the Cooperating Institution such further information concerning such accounts and financial statements and the audit thereof as the Fund or the Cooperating Institution shall from time to time reasonably request.

Section 4.07. (a) The Borrower shall furnish or cause to be furnished to the Fund and the Cooperating Institution all such reports and information as the Fund shall reasonably request concerning: (i) the Loan, and the expenditure of the proceeds and maintenance of the service thereof; (ii) the goods and services

financed out of the proceeds of the Loan; (iii) the Project; (iv) the administration, operations and financial condition of BWDB, and (v) financial and economic conditions in the territory of the Borrower; and (vi) any other matters relating to the purposes of the Loan.

(b) Without limiting the generality of the foregoing, the Borrower shall furnish or cause BWDB to furnish to the Fund and the Cooperating Institution quarterly reports on the carrying out of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such details and within such a period as the Fund shall reasonably request and shall indicate, among other things, progress made and problems encountered during the quarter under review, steps taken or proposed to be taken to remedy these problems and proposed program of activity and expected progress during the following quarter.

Section 4.08. The Borrower shall enable the Fund's and the Cooperating Institution's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, all other sites, works, properties and equipment related to the Project, and any relevant records and documents.

Section 4.09. (a) The Borrower shall ensure that the Project facilities are operated, maintained and repaired in accordance with sound administrative, financial, engineering, agricultural, rural development and maintenance and operational practices, and shall cause such additional facilities, services and resources to be provided in the Project area, both while the Project is being carried out and after completion thereof, as are necessary to ensure that the full benefits of the Project are realized.

(b) The Borrower shall take all actions necessary to ensure efficient use for agricultural development of the water made available by the works included in the Project.

Section 4.10. The Borrower shall establish, in consultation with the Cooperating Institution, arrangements satisfactory to the Fund, to monitor the economic and social impact of the Project and to this effect shall submit to the Fund and the Cooperating Institution for their examination and comments, a detailed plan by the end of 1979. The Borrower shall provide or cause to be provided adequate funds for carrying out the monitoring arrangements referred to herein.

Article V. REMEDIES OF THE FUND

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 9.02 (l) of the General Conditions:

- (a) The BWPDB Order or any provision thereof shall have been repealed, suspended or amended in any manner which in the reasonable opinion of the Fund will or may adversely affect the carrying out of the Project or the operation of the Project facilities.
- (b) The Loan from the Bank shall have become liable, at the option of the Bank, for suspension or termination prior to its agreed maturity date.

Article VI. EFFECTIVENESS; TERMINATION

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 10.01 (e) of the General Conditions: that the Bank Loan Agreement shall have been declared effective.

Section 6.02. The date 1 June 1979 is hereby specified for the effectiveness of the Loan for the purposes of Section 10.04 of the General Conditions.

Section 6.03. The obligations of the Borrower under Sections 4.06, 4.07 and 4.10 of this Loan Agreement shall terminate on the date on which this Loan Agreement shall terminate or on a date twenty years after the loan becomes effective, whichever shall be the earlier.

Article VII. COOPERATING INSTITUTION

Section 7.01. The Borrower and the Fund hereby agree to appoint the Bank as the Cooperating Institution, with the responsibilities for the administration of the Loan set forth in Sections 5.01, 5.02 and 5.03 of the General Conditions.

Section 7.02. Except where specifically provided in this Loan Agreement and the General Conditions, or requested by the Fund, the Borrower shall directly furnish to the Cooperating Institution and address all communications to such Institution on all matters referred to in Sections 3.03 and 4.01 to 4.09 of this Loan Agreement and Sections 6.01 to 6.07 of the General Conditions.

Section 7.03. If for any reason a change of the Cooperating Institution becomes necessary, such a change shall be made by agreement between the Borrower and the Fund in consultation with the Institution administering the Loan. In the event of such a change, all the obligations of the Borrower contained in the Bank Loan Agreement and the Project Agreement in respect of execution of the Project and operations of the Project Facilities shall remain in force and shall automatically become the obligations of the Borrower under this Loan Agreement.

Article VIII. MISCELLANEOUS

Section 8.01. The Secretary, External Resources Division, Ministry of Finance of the Borrower, is designated as representative of the Borrower for the purposes of Section 12.02 of the General Conditions.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 of the General Conditions.

For the Borrower:

Ministry of Finance
External Resources Division
Dacca, Bangladesh

Cable Address:
BAHISAMPAD
DACCA

Telex Number:
BAHISAMPAD
DACCA 886

For the Bank:

Asian Development Bank
P.O. Box 789
Manila, Philippines 2800

Cable Address:
ASIANBANK

Telex Numbers:
7425071
7222094
3587

For the Fund:

International Fund for Agricultural Development
107 Via del Serafico
Rome 00142 Italy

Cable Address:
IFAD
Rome

Telex Numbers:
614160 IFAD
614162 IFAD

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of the Fund as of the day and year first above written.

People's Republic of Bangladesh:

Signed by: M. N. HUDA
Authorized Representative

International Fund for Agricultural Development:

Signed by: A. SUDEARY
President

SCHEDULE I

DESCRIPTION OF THE PROJECT

The Project consists of the provision of embankment and major drainage network, the installation of drainage pumps to protect an area of about 185,000 ha (456,950 acres), and the provision of irrigation and intensive drainage system for an area of about 29,000 ha (71,630 acres) selected for the first phase [of] development. The Project also includes the strengthening of agricultural extension services and the augmentation of existing storage facilities.

The major components of the Project are the following:

A. *Irrigation and Related Civil Works*

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| (i) Flood Embankment | Construction of additional 120 km to protect an area of 185,000 ha of gross area. |
| (ii) Pumping Stations | Construction of two dual purpose stations (irrigation and drainage) and two stations for drainage only. |
| (iii) Irrigation Facilities | Gravity irrigation system for about 29,000 ha of net irrigable area. |
| (iv) Drainage Facilities | (a) Improvement of existing drainage channels in about 185,000 ha of gross area land; and (b) Provision of intensive drainage network for about 29,000 ha of irrigated area. |
| (v) Roads | (a) Construction of 6 km of new roads and improvement of about 50 km of existing village roads for access purpose; and |
| (vi) Power Transmission Lines | Installation of 35 km to connect the pumping stations and other Project Facilities to the main grid. |
| (vii) Telephone Lines | Installation of about 110 km to link each pumping station and other Project Facilities. |

B. *Agricultural Development*

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|-----------------------------|--|
| (i) Pilot Scheme | Establishment of two pilot farms of 25 ha each for demonstration of modern farming technique and training with necessary facilities and equipment. |
| (ii) Extension Services | Provision of accommodation and transportation for Village Extension Agents (VEAs). |
| (iii) Agricultural Research | Provision of research materials and improvement of existing fieldwork facilities. |
| (iv) Storage Facilities | (a) Construction of three 500 ton fertilizer godowns (warehouses) and provision of three trucks. (b) Construction of two 500 ton central paddy godowns at Thana level. (c) Construction of twenty 50 to 100 ton feeder paddy godowns at village level. |
| (v) Fisheries | Improvement in fishery extension service. |

C. *Consulting Services and Training*

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|-------------------------|--|
| (i) Consulting Services | 255 man-months expatriate consulting services for detailed design and supervision of Project implementation. |
| (ii) Training | Overseas training for key staff in irrigation development. |

The Project is expected to be completed by mid-1985.

SCHEDULE 2

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS

1. The table attached hereto sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each Category.

2. Except as otherwise provided in this Schedule, no withdrawals from the Loan Account shall be made in respect of any local expenditures on the Project.

3. With respect to the civil works included in Category I, the amount of \$1,000,000 allocated thereto represents the presently estimated foreign exchange cost of such civil works. Such estimate is 5% of the total Fund financing of the civil works. For the purpose of withdrawals from the Loan Account in respect of civil works, this figure of 5% will apply provided that the total amount to be financed under Category I shall not exceed \$1,000,000.

4. Except as otherwise provided in paragraph 4 of this Schedule, the items included in Category II will be procured under international competitive bidding or shopping procedures. With respect to any contract for such items awarded to a local supplier, such contract will be financed out of the proceeds of the Loan on the following basis:

- (a) Where the goods procured from a local supplier are manufactured locally, 100% of the ex-factory price of the goods supplied (exclusive of any duties and taxes); and
- (b) Where the goods procured from a local supplier have been entirely imported, the foreign exchange component of the contract price.

5. Some of the items included in Category II (such as cement, steel bars) will be goods procured from local suppliers after local tendering. With respect to contracts involving any such local purchase, 50% of the contract price (or such other percentage as shall be agreed between the Borrower and the Fund from time to time) will apply for the purpose of withdrawals from the Loan Account.

6. The amount of \$20,000,000 allocated to Category III is for financing of local expenditures associated with (a) construction of certain civil works, and (b) major construction materials, and (c) construction equipment. Subject to the maximum amount of \$18,000,000 for Category III (a), \$1,870,000 for Category III (b) and \$130,000 for Category III (c) such amounts may be withdrawn from the Loan Account in foreign currency on the basis of each payment (exclusive of any taxes and duties) made by the Borrower for expenditures in respect of the civil works, materials and equipment concerned, and in accordance with such disbursement arrangements as shall be agreed between the Borrower and the Fund.

7. Notwithstanding the allocation of loan proceeds or the maximum withdrawal amount set forth above, if the Fund has reasonably estimated that the amount of the Loan then allocated to any Category will be insufficient to finance all agreed expenditures in that Category, the Fund may, by notice to the Borrower: (a) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of the Fund, are not needed to meet other expenditures and (b) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage (if any) applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made.

ALLOCATION OF PROCEEDS OF LOAN
(Pabna Irrigation and Rural Development Project)

| <i>Category</i> | <i>Amount Allocated (Dollar Equivalent)</i> | |
|--|---|---------------------|
| I. Civil Works | | \$ 1,000,000 |
| II. Equipment and Materials | | |
| (a) Major Construction Materials | 3,700,000 | |
| (b) Construction Equipment | 1,820,000 | |
| (c) Agricultural Equipment | 140,000 | 5,660,000 |
| III. Local Expenditure Financing | | |
| (a) Civil Works | 18,000,000 | |
| (b) Major Construction Materials | 1,870,000 | |
| (c) Construction Equipment | 130,000 | 20,000,000 |
| IV. Unallocated | | 3,340,000 |
| | TOTAL | <u>\$30,000,000</u> |