

AGENCY AND ADMINISTRATION AGREEMENT

(Private Sector Infrastructure Development Project)

between

THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH

and

INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED

Dated __25th January, 1998

AGENCY AND ADMINISTRATION AGREEMENT
(Private Sector Infrastructure Development Project)

Agreement dated 25 Jan .1998 between the THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF BANGLADESH (the Government) and the INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED (IDCOL).

WHEREAS by a Development Credit Agreement (the Credit Agreement) dated 14 November, 1997, between the Government and the INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) (a copy of which is annexed hereto as Annex B) the Association has agreed to make available to the Government a Credit in an amount equivalent to SDR 168,600,000 (the Credit) for the Infrastructure Development Project described in Schedule 2 to the Credit Agreement (the Project).

AND WHEREAS the Government has agreed to make available the proceeds of the Credit to IDCOL under an Agency and Administration Agreement on terms and conditions satisfactory to the Association and set forth hereinafter.

NOW THEREFORE the parties hereto hereby agree as follows-

ARTICLE I

Definitions

Section 1.01. Wherever used in this Agreement, unless the context shall otherwise require, the several terms defined in the Credit Agreement and the General Conditions as defined in Section 1.01 of the Credit Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

“Brochure” means the brochure, referred to in paragraph 2 (b) of Annex A to this Agreement, describing the Government's policies and procedures for private sector participation in selected sectors;

“Funding Agencies” means the Association and such other international funding agencies as the parties may pursuant to Section 4.04 agree, or in the context of a particular Subloan, those of such agencies the proceeds of whose loans or grants are or are to be applied therefore;

“Funding Agreements” means the agreements between the Government and the Funding Agencies and such other agreements as the parties may pursuant to Section 4.04 agree;

“Investment Enterprise” means an enterprise to which IDCOL proposes to make or has made a Subloan;

“Investment Project” means a specific development project in selected sub-sectors of the infrastructure sector to be carried out by an Investment Enterprise utilizing the proceeds of a Subloan;

“Investment Proposal” means a proposal made for an Investment Project;

“Lending Policies” means the lending policies of IDCOL;

“Loan Documentation” means in respect of any Subloan, any documentation including the Subloan Agreement entered or to be entered into by IDCOL with any person whether the Investment Enterprise, any shareholder, other lender or creditor to or of the Investment Enterprise or other wise and whether in respect of security for the Subloan, priority of the Subloan with other loans or creditors or otherwise’;

“Operations Manual” means an operations manual for EDCOL which sets out the guidelines for appraisal, approval and supervision of investment Projects;

“Repayment Account” means IDCOL’s account in Taka with Bangladesh Bank established pursuant to Section 3.02;

“Subloan” means a loan made or proposed to be made by IDCOL out of the proceeds of the Credit to an Investment Enterprise for an Investment Project;

“Subloan Agreement” means an agreement made or to be made between IDCOL and an Investment Enterprise for a Subloan; .

“TK and Taka” means the currency of the Government; and

the words and expressions defined above shall have The same meaning if used in any other document or documents relating to the Investment Project unless these have been clearly defined differently in such other document(s).

ARTICLE 11

General

Section 2.01. The provisions of the General Conditions and the terms and conditions of the Credit Agreement shall, mutatis mutandis, apply in full force and effect to this Agreement.

ARTICLE III

The Facility

Section 3.01. The Government agrees that IDCOL will administer for and on behalf of the Government an amount of US\$ 225,000,000 (the Facility) equivalent in various currencies (determined as of the date or respective dates of withdrawal) of the value of the currency or currencies so withdrawn on account of expenditures for Part A of the Project to be financed out of the proceeds of the Credit allocated from time to time to Category (1) in Schedule I to the Credit Agreement, for the purposes and objectives set out in this Administration Agreement.

Section 3.02. The Government shall cause the Bangladesh Bank to open and maintain on its books an account, to be known as the Repayment Account, in Taka in the name of IDCOL on terms and conditions satisfactory to the Association, for the purpose of receiving the proceeds of repayments of principal of Subloans and interest thereon paid by Investment Enterprises in respect of Subloans. The proceeds of repayments of principal of Subloans and interest thereon shall be retained in the Repayment Account for the purposes of servicing the debt of the Government on account of this credit. To the extent such proceeds are not required by the Government to meet its debt service obligations under the credit agreement, the proceeds of repayment would also be used for meeting IDCOL's operating expenses and future lending operations with the prior approval of the Government. Once the repayment of Subloans commences, ceilings on lending both in taka and in foreign currency as well as administrative expenses from the repayment fund shall be determined by the Government every two years following consultations between Government and the IDCOL.

Section 3.03. The Government agrees that the funds credited to the Repayment Account shall not form part of the Government's normal budgetary resources and may only be used for the purposes specified in Section 3.02. It is further agreed that the on-lending of funds from the Repayment Account that are not required by the Government to meet its debt service obligations shall be managed exclusively by IDCOL in accordance with the provisions of Section 3.02(C).

Section 3.04. in the event that the funds available in the Repayment Account are not sufficient to meet IDCOL's operating expenses, IDCOL may seek temporary loans in local currency from the Government on terms and conditions approved by the Government.

Section 3.05. The right of IDCOL to withdraw the proceeds of the Facility is subject to the right of the Government to withdraw the proceeds of the Credit.

Section 3.06. IDCOL shall furnish to the Association, all such documents as are required by the Credit-Agreement or as shall be requested by the Association in order to enable IDCOL to make the

withdrawal from the Repayment Account.

ARTICLE IV

Execution of the Project

Section 4.01. IDCOL shall carry out Part A of the Project, its obligations under the Credit Agreement and the provisions of Annex A to this Agreement, with due diligence and efficiency and in conformity with sound administrative, financial, engineering and commercial practices and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part A of the Project.

Section 4.02. Notwithstanding its general obligations set forth above IDCOL shall inform the Government and/or the Association of any condition which interferes with or threatens to interfere with the execution of Part A of the Project or with its ability to carry out its obligations under this Agreement.

Section 4.03. IDCOL shall prepare and obtain the approval of the Government and the Association to the Brochure, the Operations Manual and the Lending Policies. No amendment of the Brochure or the Lending Policies shall be made without the concurrence of the Government and the Association. The Operations Manual may be amended by IDCOL as and when required provided, however, that at all times, it shall be consistent with the Lending Policies.

Section 4.04. If the Government and IDCOL agree at any time hereafter that any other funding agreement executed between the Government and an international funding agency should be a Funding Agreement for the purposes of this Agreement;

- (a) they shall execute a memorandum supplemental to this Agreement.
 - (i) setting out details of and having annexed thereto a copy of such Funding Agreement, and
 - (ii) containing, or referring to documents containing, by way of addition or amendment to the Brochure, the Operations Manual and the Lending Policies, such matters as they shall agree, and
- (b) thereupon and with effect therefrom such agency shall be a Funding Agency and such agreement a Funding Agreement for the purposes of this Agreement, and this Agreement shall take effect accordingly.

Section 4.05. In respect of each Investment Proposal, IDCOL shall, in accordance with and utilizing the relevant procedures, forms, documents and other requirements of the Operations Manual and for the purposes therein set out:

- (a) appraise and evaluate the Investment Proposal in accordance with the provisions of

Annex A to this Agreement and the application for financing therein contained, and prepare and furnish to the Government and the Funding Agencies an appraisal report;

- (b) approve or disapprove such application and the Subloan applied for in accordance with the Lending Policies and the provisions of Annex A to this Agreement;
- (c) draw up, negotiate and execute Loan Documentation with all relevant parties;
- (d) approve or disapprove draw down notices under the Subloan Agreement, and disburse funds to or as directed by the Investment-Enterprise, and for the purpose may request withdrawals and disbursements under any of the Funding Agreements;
- (e) monitor and supervise the Investment Project front execution of the Subloan Agreement until the Subloan is repaid in full or written off; and
- (f) receive and collect repayment installments of the Subloan, and take steps for the recovery of overdue installments and interest or, where appropriate, the whole of the Subloan and the enforcement of or of security under the Loan Documentation and all other actions generally for the recovery of the moneys due under the Subloan.

Section 4.06. IDCOL shall, in the performance of its duties under Section 4.05, and the exercise of its authorities and discretion under this Agreement on behalf of the Government.

- (a) report to and obtain the prior consent of the Funding Agencies as and to the extent required by the Funding Agreements;
- (b) keep, maintain, prepare and where so required cause to be audited, and supply to the Funding Agencies, such records and accounts as may be required by the Funding Agreements; and
- (c) otherwise observe and comply with such requirements of the Funding Agencies pursuant to the Funding Agreements as might by such performance and exercise or the manner thereof or any failure thereof be infringed.

Section 4.07. The Government:

- (a) authorizes IDCOL to undertake, do, bring and execute all such acts, deeds, things, proceedings and documents as are requisite or appropriate for or reasonably and properly incidental to the implementation by IDCOL of its obligations under this Agreement and the Government's obligations under the Credit Agreement; and
- (b) shall take such steps and execute such documents to confirm and notify such authority to the Funding Agencies and to other persons as may be necessary for the performance by IDCOL of all and any of its duties under Section 4.05 and 4.06.

Section 4.08. IDCOL shall, in the performance of its duties under Section 4.05 and 4.06 or any of them

have without prejudice to the generality of its authority thereunder the following powers but subject always to the provisions of Section 4.09:

- (a) to engage such staff, advisers and/or local or foreign consultants as it shall deem fit to assist IDCOL with its duties;
- (b) to approve but within the terms of the Lending Policies or disapprove any Subloan;
- (c) to enter into such Loan Documentation with such parties as IDCOL shall think fit;
- (d) in respect of any Loan Documentation, to waive any breach or enforce or seek (by such means including bringing proceedings as it shall determine) to enforce or postpone or waive enforcement of any provision thereof or grant time or indulgence or make any compromise (with or without other lenders) thereunder, provided, however, that the exercise of any such waiver shall not affect the repayment obligation in respect of any Subloan Agreement.

Section 4.09. Notwithstanding Section 4.01 and 4.02, IDCOL shall not:

- (a) exercise any authority or discretion or do any other thing hereunder which under the terms of any Funding Agreement requires prior notice to or approval of any of the Funding Agencies, unless and until such notice or approval has been given or obtained,
- (b) enter into any Subloan Agreement or make or enter into any commitment binding upon the Government to do so or otherwise to commit funds for any Investment Project unless the Investment Project has been finally cleared in writing for implementation by the Government. In the event IDCOL is of the opinion that the Investment Project is not viable, IDCOL will not be obligated to provide any loan.

Section 4.10. IDCOL shall at all times perform its duties and exercise its powers in such a manner as to; (a) protect the interests of the Government and the Funding Agencies; and (b) comply with the Government's obligations under the Credit Agreement and (c) its obligations under this Agreement and the Subloan Agreements.

Section 4.11. No director, officer or employee of IDCOL shall be liable for any acts or omissions of IDCOL except to the extent that such acts or omissions result from fraud or gross negligence on the part of such director, officer or employee of IDCOL.

Section 4.12. All Loan Documentation shall be subject to and shall incorporate all environmental, resettlement and other operational directives and policies of the Funding Agencies as reflected in the Environment and Social Framework of IDCOL, and amended from time to time.

Section 4.13. For general operational purposes IDCOL may open and maintain in its name such account or accounts with such bank or banks as it may consider necessary provided always that all moneys received by or payable to IDCOL whether paid or payable by the Government, any Funding Agency or any investment Enterprise in respect of a Subloan shall be paid into the Repayment Account.

Section 4.14. Each Investment Enterprise shall pay to IDCOL in respect of each Subloan such fees and charges as may be determined from time to time by IDCOL. Such Fees and charges shall be credited to IDCOL's general operating account and shall be used to meet IDCOL's operating expenses.

Section 4.15. IDCOL shall:

- (a) at all times during the currency of this Agreement provide to the Government 'such information as the Government may from time to time require, or the Operations Manual contemplate, as to the implementation of this Agreement and any Investment Project or Subloan;
- (b) in respect of each fiscal year, commencing with the year current at the date of this Agreement, prepare, procure to be audited, and deliver to the Government, 'financial accounts in the form and as to the matters prescribed in, and in accordance with the procedures and requirements of, the Operations Manual;
- (c) ensure proper management of its funds and use of same in the most effective commercial manner, and in case any loss is caused due to mismanagement or negligence, compensate the Government for the loss as may be agreed between the Government and IDCOL;
- (d) not declare any dividend without the prior approval of the Government and the Funding Agencies: and
- (e) appoint independent external auditors in consultation with the Association and with the approval of the Government.

Section 4.16.

- (a) The Government shall take all necessary steps to ensure that IDCOL operates autonomously from the Government and in accordance with nominal commercial principles.
- (b) Without derogating from the provisions of sub-section (a), the Government shall empower IDCOL to adopt its own administrative, establishment, procurement and financial procedures.

Section 4.17. Upon the termination of this Agreement;

- (a) IDCOL shall convey, assign and transfer to or otherwise vest in the Government all moneys, assets, benefits, rights, accounts and 'records relating to the Repayment Account or any Subloan, and all moneys standing to the credit of any such account referred to in Section 4.13, and
- (b) the Government and IDCOL shall join in giving to all Funding Agencies, investment Enterprises, other parties to any Loan Documentation and such other persons as may be appropriate, notice of such termination.

ARTICLE V

The Government's Right of Recall

Section 5.01. Notwithstanding the foregoing provisions of this Agreement, upon the occurrence of any of the following events the Government may, by notice to IDCOL, terminate this Agreement and all obligations of the parties hereunder shall forthwith terminate:

- (a) if IDCOL defaults in the performance of any of its obligations under this Agreement and such default continues for a period of sixty days after notice thereof has been given by the Government to IDCOL; or
- (b) if the outstanding principal of the Credit shall at any time become due and payable prior to the agreed maturity thereof.

Section 5.02. Section 5.01 (a) of this Agreement shall not apply if IDCOL establishes to the satisfaction of the Government that such declaration will adversely affect the objectives of the Project and the purposes for which the Facility was made available and IDCOL has taken reasonable steps towards the fulfillment of its obligations under this Agreement.

ARTICLE VI

Suspension, Cancellation

Section 6.01. if the right of the Government to disbursement from the Credit is suspended or terminated by the Association pursuant to the provisions of the Credit Agreement, the right of IDCOL to disburse the Facility shall, likewise and simultaneously, be suspended or canceled, as the case may be.

ARTICLE VII

Dispute Resolution

Section 7.01. Any dispute arising out of or in connection with this Agreement which is not settled by agreement of the parties shall be finally settled by arbitration in accordance with the UNCITRAL, Arbitration Rules in force on the date of this Agreement. In the event of a conflict between the UNCITRAL Arbitration Rules and the terms of this Agreement, the terms of this Agreement shall govern.

ARTICLE VIII

Miscellaneous Provisions

Section 8.01. This Agreement shall become effective on the date upon which the Credit Agreement becomes effective.

Section 8.02. If and when the entire principal amount of the Credit and all interest which shall have accrued thereon shall have been repaid this Agreement and all obligations of the parties hereunder shall forthwith terminate.

Section 8.03. Any notice or request required or permitted to be given or to be made under this Agreement and any agreement between the parties shall be in writing.

8.04. This Agreement and any rights and obligations hereunder may not be assigned by either party without the prior written consent of the other party.

Section 8.05. The following addresses are specified for the purpose of this Agreement:

For the Government:

ECONOMIC RELATIONS DIVISION

Ministry of Finance

Government of the People's Republic of Bangladesh

Dhaka, Bangladesh

Cable Address: Telex:

BAH1RSAMPAD

Telex:

642226 SETU BJ

Facsimile:

(880-2) 813088

For IDCOL

INFRASTRUCTURE DEVELOPMENT COMPANY LIMITED

IDB BHAVAN

10 TH FLOOR, AGARGAON, DHAKA, BANGLADESH

If the above addresses and/or names are changed, the party concerned shall immediately notify the other party hereto in writing of the new addresses and/or names.

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

**GOVERNMENT OF THE PEOPLE'S
REPUBLIC OF BANGLADESH**

**INFRASTRUCTURE DEVELOPMENT
COMPANY LIMITED**

Witness

Witness

Date: _____

(EHSAN SHAMIM)
Deputy Secretary
Economic Relations Division
Ministry of Finance
Govt. of the People's **Republic**
of Bangladesh.

INVESTMENT PROJECTS AND SUBLOANS

Part A: Investment Projects

I. Financing of Investment Projects

(a) IDCOL shall provide financing for each Investment Project, including the Subloan approved for such Investment Project, in amounts not to exceed 40 percent of the total cost of such Investment Project on terms and conditions satisfactory to the Association, including those set forth in Part B of this Schedule and in the Operations Manual, as the same may be amended from time to time by agreement between the Association and IDCOL.

(b) In addition to the financing provided by IDCOL, the Investment Enterprise sponsoring such Investment Project shall be required to provide financing through equity investment sufficient to cover at least 20 percent of the cost of the investment Project and the remainder of the cost of the Investment Project shall be raised through commercial loans and/or export credits raised without the Government's guarantee.

2. Evaluation and Approval Criteria for Investment Projects

(a) IDCOL shall not make any Subloan unless such Subloan meets the criteria specified below and any other criteria that the Government and Association may require:

- (i) the investment Enterprise sponsoring the Investment Project is able to arrange financing for the Investment Project on a limited recourse basis;
- (ii) the Investment Project meets the Government's priority plan and takes into account the Government's policy and regulatory frameworks;
- (iii) the investment Enterprise uses proven technology;
- (iv) the Investment Project is technically and financially viable and will have an economic rate of return of at least 12 percent;
- (v) the Investment Enterprise will have at least 20 percent of the total project cost provided as equity; and
- (vi) the environment and social assessment of the Investment Projects will meet the criteria described in Clause 5 of this Annex.

(b) IDCOL shall make available, for the use of Investment Enterprises, a Brochure, in substance satisfactory to the Association, inter alia, describing the policy and procedures for

private sector participation in all subsectors of the infrastructure sector (including the measures set forth or referred to in the Schedule to this Annex).

3. Appraisal, Approval and Supervision of Investment Projects

(a) IDCOL shall use its operational guidelines, including the guidelines for the appraisal, approval and supervision of Investment Projects, and models of the Implementation Purchase and other agreements referred to in the Schedule to this Annex, subject to such modifications thereof as shall be considered appropriate by the Government and the Association.

(b) With respect to each Investment Project IDCOL shall:

- (i) require the Investment Enterprise sponsoring the investment Project to prepare a detailed information memorandum, with the assistance of consultants employed by the Investment Enterprise under terms of reference and with qualifications and experience satisfactory to IDCOL. Such detailed project information memorandum shall cover matters including: (aa) suitability of site; (bb) availability of inputs; (cc) appropriateness of, and proven experience with, the technology offered; (dd) project design; (ee) arrangements for detailed engineering; (ff) cost estimates; (gg) construction and procurement arrangements; (hh) arrangements for operation and maintenance; (ii) arrangements for compliance with environmental and resettlement standards; (jj) financial viability of the Investment Project; (kk) source and adequacy of the proposed financing and the terms and conditions of such financing, including the contractual arrangements to be made therefor, and (ll) the corporate structure of the Investment Enterprise; and
- (ii) review such project information memorandum and, on the basis thereof, prepare and furnish to the Association for its review and approval, pursuant to paragraph 4 (a) of Part B of this Annex a comprehensive appraisal report on the Investment Project.

4. Preparation and Implementation of Investment Projects

Prior to making a Subloan, IDCOL may cause the investment Enterprise sponsoring such Investment Project to engage:

(a) engineering experts with qualifications and experience and terms of reference satisfactory to the Association for the preparation of detailed designs and bidding documents and supervision of project implementation; and

(b) financial experts with qualifications and experience and terms of reference satisfactory to the Association for the preparation of proposals for and assistance in mobilizing project financing.

5. Environmental Standards for Investment Projects

Each Investment Project shall comply with the standards set forth in the “Environmental and Social Framework” document (ESF) prepared by the Government and adopted by IDCOL in May, 1997. To that end, the Government shall, or shall cause IDCOL to:

- (a) specify such standards in the Brochure;
- (b) require each Investment Enterprise applying for a Subloan to furnish evidence satisfactory to the Government and the Association showing that the Investment Project in respect of which--the application has been made would comply with such standards, such evidence to include an environmental impact assessment and, where applicable, a resettlement plan for displaced populations for such Investment Project based on principles and procedures satisfactory to the Association: and
- (c) in respect of each Investment Project include in the Letter of Intent and the implementation Agreement referred to in the Schedule to this Annex a suitable provision obligating the Investment Enterprise sponsoring such Investment Project to ensure compliance with such standards.

Part B: Subloans

1. Except as the Association shall otherwise agree, the terms and conditions of each Subloan shall include:

- (a) Interest rate- the Investment Enterprise may choose between:
 - (i) a variable rate equal to the prevailing six month United States dollar LIBOR plus a spread of 350 basis points;
 - (ii) a fixed rate based on the maturity of the Subloan and the market swap rate between variable and fixed interest rates for United States dollar debt at the time the Subloan is negotiated, plus a spread of 350 basis points; and
 - (iii) for the purposes of this subparagraph (a):
 - (aa) “LIBOR” means the London interbank offered rate for six month deposits in United States dollars;
 - (hh) “basis point” means one hundredth of one percent; and
 - (cc) “market swap rate” means, at the time of loan negotiations, the fixed rate quoted in the relevant swap market as the equivalent of the United States dollar six month LIBOR.
- (b) Maturities up to 23 years, with a maximum grace period of 8 years;

- (c) The principal amount of the loan repayable by the Investment Enterprise shall be the equivalent of the value of the currency or currencies withdrawn from the Credit Account expressed in terms of United States dollars at the time of withdrawal;
- (d) Principal and interest payable by the Investment Enterprise shall be determined in United States dollars and the payments thereof shall be the equivalent in Takas of the United States dollar-Taka exchange rate on the date the payments fall due;
- (e) Fees; and
- (f) Interest costs during construction for Investment Projects shall be capitalized and will be eligible for financing out of the Credit.

2. IDCOL shall: (a) carry out an annual review of lending terms and conditions, in consultation with the Association, not later than April 30 of each year, and (b) adjust such terms and conditions for new Subloans with effect from July 1 of such year as the Association and IDCOL shall have agreed on the basis of such review.

3. No expenditures for goods or works required for an Investment Project shall be eligible for financing out of the proceeds of the Credit unless the Subloan for such Investment Project shall have been approved by the Association and such expenditures shall have been made not earlier than ninety days prior to the date on which the Association -shall have received the application and information required under paragraph 4 (a) of Part B of this Annex in respect or such Subloan.

4. (a) IDCOL, when presenting a Subloan to the Association for approval, shall furnish to the Association an application, in form satisfactory to the Association together with (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit; (ii) the proposed terms and conditions of the Subloan, including the schedule of amortization of the Subloan; and (iii) such other information as the Association shall reasonably request.

(b) Applications made pursuant to the provisions of subparagraph (a) of this paragraph shall be presented to the Association on or before December 31, 2000.

5. Subloans shall be made on terms whereby IDCOL shall obtain, by written consent with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of IDCOL, the Government and the Association, including the right to:

- (a) require the Investment Enterprise to carry out and operate the Investment Project:
 - (1) with due diligence and, efficiency and in accordance with sound technical, environmental, financial, commercial and managerial standards and to maintain adequate records; and (ii) without limitation upon the foregoing and to the extent relevant, in accordance with the provisions of Part A of this Schedule;
- (b) require that: (i) the goods and works to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Schedule 2 to the Project Agreement;

- and (ii) such goods and works shall be used exclusively in the carrying out of the Investment Project;
- (c) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;
 - (d) require that: (i) the investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation and any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;
 - (e) obtain all such information as the Government and the Association shall reasonably request relating to the foregoing and to the administration, operations and financing condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and
 - (f) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under its contract with IDCOL.

Schedule to Annex A

Contractual Framework for Implementing Investment Projects

In order to clearly lay down the mutual rights and obligations of the Government, IDCOL, the Investment Enterprise and the latter's lenders/creditors, the Government shall with respect to each Investment Project:

- (i) issue to the Investment Enterprise a letter of intent, in form and substance satisfactory to the Association, conveying the Government's preliminary approval of the proposal for the Investment Project as a condition for the Investment Enterprise to prepare and submit a detailed feasibility study for the Investment Project;
- (ii) following approval by the Government of the detailed feasibility study for the Investment Project, require the Investment Enterprise to enter into the following agreements, each in form and substance satisfactory to the Association:
 - (a) an Implementation Agreement with the Government, superseding the letter of intent referred to in (i) above and setting forth the obligations of

the Investment Enterprise, particularly with respect to the financing, design, construction, and operation and maintenance of the Investment Project within mutually agreed parameters and to mutually acceptable standards;

- (b) a Purchase Agreement, if applicable, between the Investment Enterprise and the purchaser of the services provided by the Investment Project setting forth the obligations of the Investment Enterprise, particularly with respect to the operation of the Investment Project to mutually acceptable standards, and the obligations of the purchaser, particularly with respect to the purchase of a guaranteed minimum of the services provided by the Investment Project, the purchase price of such services, and the adjustment of such price in accordance with agreed adjustment indices to reflect changes in prices of inputs and exchange rate movements;
- (c) a Construction Agreement, if applicable, between the Investment Enterprise and a contractor responsible for the construction and commissioning of the Investment Project, and a performance guarantee furnished by the contractor;
- (d) an Operation and Maintenance Agreement, if applicable, with the operator (if other than the Investment Enterprise itself) of the Investment Project, approved by the Government and setting forth the obligations of the operator, particularly with respect to the operation of the Investment Project to the standards specified in the Implementation Agreement referred to in (a) above and in the Purchase Agreement referred to in (b) above, and including a performance guarantee furnished by the operator;
- (e) a Supply Agreement, to the extent relevant, required by the investment Protect setting forth the obligations of the supplier; particularly with respect to the quality, quantity and frequency of supplies, and the penalties for inadequate performance of such obligations; and
- (f) other agreements, including a Shareholders Agreement (setting forth the rights and obligations of the shareholders of the Investment Enterprise), a Loan Agreement or Agreements- (setting forth the —obligations of the Investment Enterprise towards its lenders/creditors) and an Escrow Agreement (establishing and providing for a debt service escrow and other escrow accounts, if necessary, which shall at all times hold sufficient funds to meet debt service payments in respect of the investment Project).