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GRANT NUMBER 0524-BAN(EF)

PROJECT AGREEMENT  
(Coastal Towns Environmental Infrastructure Project – Additional Financing)

between

ASIAN DEVELOPMENT BANK

and

BAGERHAT POURASHAVA  
PATUAKHALI POURASHAVA

DATED 17 May 2017

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BAN 44212

## PROJECT AGREEMENT

PROJECT AGREEMENT dated 17 May 2017 between ASIAN DEVELOPMENT BANK ("ADB") on the one part and BAGERHAT POURASHAVA and PATUAKHALI POURASHAVA (collectively, the "Pourashavas") on the other part.

### WHEREAS

(A) by a Project Design Advance Agreement dated 23 October 2012 between the People's Republic of Bangladesh ("Recipient") and ADB ("PDA Agreement"), ADB agreed to provide a Project Design Advance loan to the Recipient from ADB's Special Funds resources in the amount of two million three hundred twenty thousand Special Drawing Rights (SDR2,320,000) on the terms and conditions set forth in the PDA Agreement;

(B) by a loan agreement dated 29 June 2014 between the Recipient and ADB ("ADF Loan Agreement"), ADB agreed to provide a loan to the Recipient from ADB's Special Funds resources in the amount of thirty-three million nine hundred forty-one thousand Special Drawing Rights (SDR33,941,000) ("ADF Loan") for the purposes of the Project described in Schedule 1 to the ADF Loan Agreement;

(C) by a loan agreement dated 29 June 2014 between the Recipient and ADB ("SCF Loan Agreement"), ADB agreed to provide a loan to the Recipient from the ADB Strategic Climate Fund in the amount of thirty million Dollars (\$30,000,000) ("SCF Loan") for the purposes of cofinancing expenditures under the Project;

(D) by a grant agreement dated 29 June 2014 between the Recipient and ADB ("SCF Grant Agreement"), ADB agreed to provide a grant to the Recipient from the ADB Strategic Climate Fund in the amount of ten million four hundred thousand Dollars (\$10,400,000) ("SCF Grant") for the purposes of cofinancing expenditures under the Project;

(E) by a grant agreement dated 29 June 2014 between the Recipient and ADB ("SFPTF Grant Agreement"), ADB agreed to administer from the Sanitation Financing Partnership Trust Fund ("SFPTF") under the Water Financing Partnership Facility for a grant in the amount of one million six hundred thousand Dollars (\$1,600,000) ("SFPTF Grant") for the purposes of cofinancing expenditures under the Project;

(F) by a grant agreement of even date herewith between the Recipient and ADB ("Grant Agreement"), ADB has agreed to administer a grant in the amount of six million Dollars (\$6,000,000) ("Grant") from the Urban Climate Change Resilience Trust Fund ("UCCRTF") under the Urban Financing Partnership Facility for the purposes of the Project described in Schedule 1 to the Grant Agreement, but only on the condition that the proceeds of the Grant be made available to the Pourashavas and that the Pourashavas agree to undertake certain obligations towards ADB set forth herein; and

(G) the Pourashavas, in consideration of ADB entering into the Grant Agreement with the Recipient, have agreed to undertake the obligations set forth herein;

NOW THEREFORE the parties hereto agree as follows:

**ARTICLE I****Definitions**

Section 1.01. Wherever used in this Project Agreement, unless the context otherwise requires, the several terms defined in the ADF Loan Agreement, the Grant Agreement and in the Loan Regulations (as so defined in the Grant Agreement) have the respective meanings therein set forth, except that for purposes of this Project Agreement, the term "Project" means the Project described in Schedule 1 to the Grant Agreement.

**ARTICLE II****Particular Covenants**

Section 2.01. (a) Each Pourashava shall carry out the Project with due diligence and efficiency, and in conformity with sound applicable technical, financial, business, and development practices.

(b) In the carrying out of the Project and operation of the Project facilities, each Pourashava shall perform all obligations set forth in the Grant Agreement to the extent that they are applicable to each Pourashava and all obligations set forth in Schedule 5 to the ADF Loan Agreement.

Section 2.02. Each Pourashava shall make available, promptly as needed, and on terms and conditions acceptable to ADB, the funds, facilities, services, land and other resources as required, in addition to the proceeds of the Grant, for the carrying out of the Project.

Section 2.03. (a) In the carrying out of the Project, each Pourashava shall employ competent and qualified consultants and contractors, acceptable to ADB, to an extent and upon terms and conditions satisfactory to ADB.

(b) Except as ADB may otherwise agree, each Pourashava shall procure all items of expenditures to be financed out of the proceeds of the Loan in accordance with the provisions of Section 3.03 of the Grant Agreement. ADB may refuse to finance a contract where any such item has not been procured under procedures substantially in accordance with those agreed between the Borrower and ADB or where the terms and conditions of the contract are not satisfactory to ADB.

Section 2.04. Each Pourashava shall carry out the Project in accordance with plans, design standards, specifications, work schedules and construction methods acceptable to ADB. Each Pourashava shall furnish, or cause to be furnished, to ADB, promptly after their preparation, such plans, design standards, specifications and work schedules, and any material modifications subsequently made therein, in such detail as ADB shall reasonably request.

Section 2.05. (a) Each Pourashava shall take out and maintain with responsible insurers, or make other arrangements satisfactory to ADB for, insurance of 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, each Pourashava undertakes to insure, or cause to be insured, the Goods to be imported for the Project 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 a currency freely usable to replace or repair such Goods.

Section 2.06. Each Pourashava shall maintain, or cause to be maintained, records and accounts adequate to identify the items of expenditure financed out of the proceeds of the Grant, 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 principles, its operations and financial condition.

Section 2.07. (a) ADB and each Pourashava shall cooperate fully to ensure that the purposes of the Grant will be accomplished.

(b) Each Pourashava shall promptly inform ADB of any condition which interferes with, or threatens to interfere with, the progress of the Project, the performance of its obligations under this Project Agreement, a Subsidiary Grant Agreement, or the accomplishment of the purposes of the Grant.

(c) ADB and each Pourashava shall from time to time, at the request of either party, exchange views through their representatives with regard to any matters relating to the Project, each Pourashava and the Grant.

Section 2.08. (a) Each Pourashava shall furnish to ADB all such reports and information as ADB shall reasonably request concerning (i) the Grant and the expenditure of the proceeds thereof; (ii) the items of expenditure financed out of such proceeds; (iii) the Project; (iv) the administration, operations and financial condition of each Pourashava; and (v) any other matters relating to the purposes of the Grant.

(b) Without limiting the generality of the foregoing, each Pourashava shall furnish to ADB periodic reports on the execution of the Project and on the operation and management of the Project facilities. Such reports shall be submitted in such form and in such detail and within such a period as ADB shall reasonably request, and shall indicate, among other things, progress made and problems encountered during the period under review, steps taken or proposed to be taken to remedy these problems, and proposed program of activities and expected progress during the following period.

(c) Promptly after physical completion of the Project, but in any event not later than 3 months thereafter or such later date as ADB may agree for this purpose, each Pourashava shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution and initial operation of the Project, including its cost, the performance by each Pourashava of its obligations under this Project Agreement and the accomplishment of the purposes of the Grant.

Section 2.09. (a) Each Pourashava shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Grant proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the close of the fiscal year to which they relate, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) Each Pourashava shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Pourashava and its financial affairs where they relate to the Project with the auditors appointed by each Pourashava pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of each Pourashava, unless such Pourashava shall otherwise agree.

Section 2.10 Each Pourashava shall enable ADB's representatives to inspect the Project, the Goods and Works and any relevant records and documents.

Section 2.11. (a) Each Pourashava shall at all times conduct its operations in accordance with sound applicable technical, financial, business, development and operational practices, and under the supervision of competent and experienced management and personnel.

(b) Each Pourashava shall at all times operate and maintain its plants, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound applicable technical, financial, business, development, operational and maintenance practices.

Section 2.12. Except as ADB may otherwise agree, the Pourashavas shall not sell, lease or otherwise dispose of any of their assets which shall be required for the efficient carrying on of their operations or the disposal of which may prejudice their ability to perform satisfactorily any of their obligations under this Project Agreement.

Section 2.13. Except as ADB may otherwise agree, each Pourashava shall apply the proceeds of the Grants to the financing of expenditures on the Project in accordance with the provisions of the Grant Agreement and this Project Agreement, and shall ensure that all items of expenditures financed out of such proceeds are used exclusively in the carrying out of the Project.

Section 2.14. Except as ADB may otherwise agree, each Pourashava shall duly perform all its obligations under a Subsidiary Grant Agreement, and shall not take, or concur in, any action which would have the effect of assigning, amending, abrogating or waiving any rights or obligations of the parties under a Subsidiary Grant Agreement.

Section 2.15. Each Pourashava shall promptly notify ADB of any proposal to amend, suspend or repeal any provision of its constitutional documents, which, if implemented, could adversely affect the carrying out of the Project or the operation of the Project facilities. Each Pourashava shall afford ADB an adequate opportunity to comment on such proposal prior to taking any affirmative action thereon.

### ARTICLE III

#### Effective Date; Termination

Section 3.01. This Project Agreement shall come into force and effect on the date on which the Grant Agreement comes into force and effect. ADB shall promptly notify each Pourashava of such date.

Section 3.02. This Project Agreement and all obligations of the parties hereunder shall terminate on the date on which the Grant Agreement shall terminate in accordance with its terms.

Section 3.03. All the provisions of this Project Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the Grant Agreement.

### ARTICLE IV

#### Miscellaneous

Section 4.01. Any notice or request required or permitted to be given or made under this Project Agreement and any agreement between the parties contemplated by this Project Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand, mail or facsimile to the party to which it is required or permitted to be given or made at its address hereinafter specified, or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila

Philippines

Facsimile Numbers:

(632) 636-2444

(632) 636-2293

For Bagerhat Pourashava

Mayor  
Bagerhat Pourashava, Bagerhat

Facsimile Number:

(880) 0446861477

For Patuakhali Pourashava

Mayor  
Patuakhali Pourashava, Patuakhali

Facsimile Number:

(880) 44162012.

Section 4.02. (a) Any action required or permitted to be taken, and any documents required or permitted to be executed, under this Project Agreement by or on behalf of each Pourashava may be taken or executed by its Mayor or by such other person or persons as he or she shall so designate in writing notified to ADB.

(b) Each Pourashava shall furnish to ADB sufficient evidence of the authority of each person who will act under subsection (a) hereinabove, together with the authenticated specimen signature of each such person.


Section 4.03. No delay in exercising, or omission to exercise, any right, power or remedy accruing to either party under this Project Agreement upon any default shall impair any such right, power or remedy or be construed to be a waiver thereof or an acquiescence in such default; nor shall the action of such party in respect of any default, or any acquiescence in any default, affect or impair any right, power or remedy of such party in respect of any other or subsequent default.

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


ASIAN DEVELOPMENT BANK

By   
for \_\_\_\_\_  
KAZUHIKO HIGUCHI  
Country Director  
Bangladesh Resident Mission

BAGERHAT POURASHAVA

By   
\_\_\_\_\_   
KHAN HABIBUR RAHMAN  
Mayor

PATUAKHALI POURASHAVA

By   
\_\_\_\_\_   
MD. SHAFIQUUL ISLAM  
Mayor