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LOAN NUMBER 3133-BAN (SF)

LOAN AGREEMENT  
(Special Operations)

(Coastal Towns Environmental Infrastructure Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 29 JUNE 2014

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BAN 44212

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 29 June 2014 between PEOPLE'S REPUBLIC OF BANGLADESH and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

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

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

(C) the Borrower has also applied to the Strategic Climate Fund ("SCF") for (i) a loan equivalent to \$30,000,000 ("SCF Loan"); and (ii) a grant equivalent to \$10,400,000 ("SCF Grant") to be administered by ADB for the purposes of cofinancing expenditures under the Project;

(D) by a loan agreement of even date herewith between the Borrower and ADB ("SCF Loan Agreement"), ADB has agreed to make the proceeds of the SCF Loan available to the Borrower upon the terms and conditions set forth therein;

(E) by a grant agreement of even date herewith between the Borrower and ADB ("SCF Grant Agreement"), ADB has agreed to make the proceeds of the SCF Grant available to the Borrower upon the terms and conditions set forth therein;

(F) the Borrower has also applied to the Bill & Melinda Gates Foundation through the Sanitation Financing Partnership Trust Fund ("SFPTF") under the Water Financing Partnership Facility for a grant equivalent to \$1,600,000 ("SFPTF Grant") to be administered by ADB for the purposes of cofinancing expenditures under the Project;

(G) by a grant agreement of even date herewith between the Borrower and ADB ("SFPTF Grant Agreement"), ADB has agreed to make the proceeds of the SFPTF Grant available to the Borrower upon the terms and conditions set forth therein;

(H) the Project will be carried out by the Borrower's Ministry of Local Government, Rural Development and Cooperatives ("MLGRDC") through its Local Government Engineering Department ("LGED") and Department of Public Health Engineering ("DPHE"), and for this purpose the Borrower will make available to MLGRDC the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(I) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the Pourashavas (as defined below).

NOW THEREFORE the parties agree as follows:

## ARTICLE I

### Loan Regulations; Definitions

Section 1.01. All the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (“Loan Regulations”), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein:

- (a) Section 2.01(25) is deleted and the following is substituted therefor:

“Project Agreement” means the Project Agreement of even date herewith between ADB and the Pourashavas.

- (b) The term “Project Executing Agency” appearing in Section 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by “MLGRDC”.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) “Batch I Pourashavas” means the following 4 Pourashavas: Amtali, Galachipa, Mathbaria, and Pirojpur;

(b) “Batch II Pourashavas” means the following 4 Pourashavas: Barguna; Bhola; Daulatkhan; and Kalapara;

(c) “Consulting Guidelines” means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);

(d) “Consulting Services” means the services to be financed out of the proceeds of the Loan as described in paragraph 2 (Part 3) of Schedule 1 to this Loan Agreement;

(e) “EARF” means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(f) “Environmental Management Plan” or “EMP” means an environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;

(g) “Environmental Safeguards” means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(h) “Expenditure” means cash expenditure for operations and maintenance of water and sanitation assets plus interest and principal repayments of loans

to finance such assets, and including interest on working capital loan(s) for operating the water and sanitation services;

(i) “FY” means a fiscal year of the Borrower;

(j) “Gender Action Plan” means the gender action plan prepared for the Project and approved by the Borrower;

(k) “General Revenue Account” means the cumulative net income and expenditure of each Pourashava from all sources including all taxes and non-tax revenue and grants for capital expenditure, but excluding any operating subsidies net of all expenditure including debt servicing, capital expenditure, operating and maintenance costs for water, sanitation, and other municipal infrastructure;

(l) “Goods” means equipment and materials to be financed out of the proceeds of the Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;

(m) “Initial Environmental Examination” or “IEE” means each initial environmental examination for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(n) “Involuntary Resettlement Safeguards” means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

(o) “Loan Disbursement Handbook” means ADB’s Loan Disbursement Handbook (2012, as amended from time to time);

(p) “Operating Ratio” means the ratio of Expenditure over the sum of Revenue and Surplus from General Revenues, but net of any operating subsidies;

(q) “PAM” means the project administration manual for the Project dated 10 February 2014 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(r) “Pourashava” means one of the following 8 coastal secondary town selected to receive funding under the Project: Amtali; Galachipa; Mathbaria; Pirojpur; Barguna; Bhola; Daulatkhan; and Kalapara and “Pourashavas” means all of these coastal secondary towns collectively;

(s) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MLGRDC acting through LGED and DPHE, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(t) “Procurement Guidelines” means ADB’s Procurement Guidelines (2013, as amended from time to time);

(u) “Procurement Plan” means the procurement plan for the Project dated 10 February 2014 and agreed between the Borrower and ADB, as updated from time to time

in accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(v) "Revenue" means the income realized by the Pourashava through the provision of water and sanitation services;

(w) "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(x) "RP" means a resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the RF and cleared by ADB;

(y) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);

(z) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of and compliance with the EMP, the RP and the IPP (as applicable), including any corrective and preventative actions;

(aa) "Specified Operating Ratio" means an Operating Ratio of 1.0 or less;

(bb) "Stage 1 Infrastructure" means the priority infrastructure to be initially developed under Part 1(a) of the Project;

(cc) "Stage 2 Infrastructure" means the infrastructure to be developed under Part 1(b) of the Project;

(dd) "Subproject" means a subproject under the Project that meets the subproject eligibility criteria set forth in Appendix 4 of the PAM;

(ee) "Subsidiary Loan Agreement" means an agreement between the Borrower and a Pourashava referred to in Section 3.01 of this Loan Agreement;

(ff) "Surplus from General Revenues" means the sums transferred by a Pourashava from its general revenue accounts such that the general revenue account remains positive; and

(gg) "Works" means construction or civil works to be financed out of the proceeds of the Loan, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding Consulting Services.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty-three million nine hundred and forty one thousand Special Drawing Rights (SDR 33,941,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of 2% per annum during the grace period and thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in subsection (a) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 December and 15 June in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be Dollar.

## **ARTICLE III**

### **Use of Proceeds of the Loan**

Section 3.01. (a) The Borrower shall relend a part of the proceeds of the Loan to each Pourashava under a Subsidiary Loan Agreement upon terms and conditions satisfactory to ADB.

(b) 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 and the Project Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 5 to this Loan Agreement and the Project Agreement.

Section 4.02. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. (a) The Borrower shall (i) maintain separate accounts and records for the Project and shall ensure that each Pourashava maintains separate accounts and records for the Project; (ii) prepare annual financial statements for the Project and ensure that each Pourashava prepares annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) consolidate its own annual financial statements for the Project with the annual financial statements received from each Pourashava; (iv) have such consolidated financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (v) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest fund(s) and statement of expenditures) 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 (vi) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such consolidated 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 consolidated annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the consolidated financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iv) 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 the Borrower, unless the Borrower shall otherwise agree.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable the Pourashavas to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under each Subsidiary Loan Agreement in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under any Subsidiary Loan Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

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 8.01(m) of the Loan Regulations:

(a) the Borrower shall have failed to perform one or more of its obligations under the SCF Loan Agreement, the SCF Grant Agreement or SFPTF Grant Agreement; and

(b) the SCF Loan, the SCF Grant or the SFPTF Grant shall have become liable for suspension or cancellation for any reason whatsoever.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations:

(a) the execution and delivery of the SCF Loan Agreement on behalf of the Borrower shall have been duly authorized by all necessary action and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled;



(b) the execution and delivery of the SCF Grant Agreement on behalf of Borrower shall have been duly authorized by all necessary action and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and

(c) the execution and delivery of the SFPTF Grant Agreement on behalf of Borrower shall have been duly authorized by all necessary action and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Delegation of Authority**

Section 7.01. The Borrower hereby designates MLGRDC and the Pourashavas as its agents for the purposes of taking any action or entering into any agreement required or permitted under Sections 3.02, 3.03 and 3.05 of this Loan Agreement and under Sections 5.01, 5.02, 5.03 and 5.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by MLGRDC and the Pourashavas pursuant to the authority conferred under Section 7.01 of this Loan Agreement shall be fully binding on the Borrower and shall have the same force and effect as if taken by the Borrower.

Section 7.03. The authority conferred on MLGRDC and Pourashavas under Section 7.01 of this Loan Agreement may be revoked or modified by agreement between the Borrower and ADB.

## **ARTICLE VIII**

### **Miscellaneous**

Section 8.01. The Senior Secretary or Secretary or any Additional Secretary, Joint Secretary or Joint Chief, Deputy Secretary or Deputy Chief, Senior Assistant Secretary or Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of the Borrower's Ministry of Finance is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Economic Relations Division  
Ministry of Finance  
Government of the People's Republic of Bangladesh  
Sher-e-Bangla Nagar  
Dhaka 1207, Bangladesh

Facsimile Number:

(880) 2 918-0788.

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

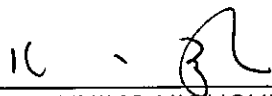
(632) 636-2444  
(632) 636-2293.

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 as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF  
BANGLADESH

By   
MR. SAIFUDDIN AHMED  
Joint Secretary  
Economic Relations Division

ASIAN DEVELOPMENT BANK

By   
KAZUHIKO HIGUCHI  
Country Director  
Bangladesh Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to increase climate and disaster resiliency in coastal towns targeting the poor and women.
2. The Project shall comprise:

#### **PART 1: Improved Climate-resilient Municipal Infrastructure**

- (a) Design, rehabilitation and construction of Stage 1 Infrastructure including (i) drainage systems; (ii) cyclone shelters; (iii) water supply systems; (iv) sanitation systems including innovative sanitation systems; (v) emergency access roads, bridges, and culverts; and (vi) solid waste management systems. The Stage 1 infrastructure shall be designed considering climate projections for at least 2040.
- (b) Design, rehabilitation and construction of Stage 2 Infrastructure including (i) markets, (ii) bus terminals, (iii) boat landings, and (iv) commercially important roads.

#### **PART 2: Strengthened Institutional Capacity, Governance, and Awareness**

- (a) Provision of consulting support for the development of a capacity building program to (i) strengthen municipal finance systems to improve local revenues; (ii) enhance citizen participation in Pourashava planning and decision making process; (iii) strengthen technical capacity and institutional arrangements for improved service delivery at Pourashava level; and (iv) promote private sector participation in fecal sludge management.
- (b) Reviewing and updating urban master plans, local building codes and engineering design standards to incorporate climate change and disaster resilience measures.
- (c) Development of Pourashava water safety plans which shall include guidelines on groundwater monitoring.
- (d) Provision of consulting support for the establishment of disaster management standing committees in the Pourashavas and appropriate technical training for the members of such disaster management committees.
- (e) Provision of consulting support to undertake (i) education and communication campaigns to raise public awareness of climate change and disaster related risks and preparedness, 3R (reduce-reuse-recycle) and WASH (water-sanitation-hygiene) measures; (ii) livelihood training programs for poor households targeting women; and

(iii) community mobilization activities to enable poor communities to access and use the infrastructure developed under Part 1.

**PART 3: Project Management and Administration Support**

- (a) Appointment of a project management and supervision consultant firm to support (i) overall project management, performance monitoring, and reporting; (ii) contract management, including capacity development in e-procurement processes and procedures; (iii) quality control of engineering designs and construction supervision; and (iv) compliance with ADB safeguard policies.
- (b) Appointment of a chartered accounting firm to conduct independent and objective internal auditing and post-procurement review services.

3. The Project is expected to be completed by 30 June 2020.

**SCHEDULE 2****Amortization Schedule****(Coastal Towns Environmental Infrastructure Project)**

Date Payment Due	Payment of Principal (expressed in Special Drawing Rights)*
15 December 2019	848,500
15 June 2020	848,500
15 December 2020	848,500
15 June 2021	848,500
15 December 2021	848,500
15 June 2022	848,500
15 December 2022	848,500
15 June 2023	848,500
15 December 2023	848,500
15 June 2024	848,500
15 December 2024	848,500
15 June 2025	848,500
15 December 2025	848,500
15 June 2026	848,500
15 December 2026	848,500
15 June 2027	848,500
15 December 2027	848,500
15 June 2028	848,500
15 December 2028	848,500
15 June 2029	848,500
15 December 2029	848,500
15 June 2030	848,500
15 December 2030	848,500
15 June 2031	848,500
15 December 2031	848,500
15 June 2032	848,500
15 December 2032	848,500
15 June 2033	848,500
15 December 2033	848,500
15 June 2034	848,500
15 December 2034	848,500
15 June 2035	848,500
15 December 2035	848,500
15 June 2036	848,500
15 December 2036	848,500

15 June 2037	848,500
15 December 2037	848,500
15 June 2038	848,500
15 December 2038	848,500
15 June 2039	849,500
<b>TOTAL</b>	<b>33,941,000</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

##### Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

##### Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) 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 ADB, are not needed to meet other expenditures; and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

##### Retroactive Financing

5. Withdrawals from the Loan Account may be made for reimbursement of eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Loan Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Loan amount.



Condition for Withdrawals from Loan Account

6. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Borrower and at least the Batch 1 Pourashavas shall have executed and delivered Subsidiary Loan Agreements.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Coastal Towns Environmental Infrastructure Project)</b>				
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (SDR)</b>		<b>Basis for Withdrawal from the Loan Account</b>
		<b>Category</b>	<b>Subcategory</b>	
1	Works	23,269,000		5% of total expenditures claimed
2	Equipment	796,000		54% of total expenditures claimed
3	Consulting Services	4,784,000		
3A	Detailed Engineering Design -Refinancing of PDA 6001		2,285,000	100% of total expenditures claimed*
3B	Project Management and Supervision		1,168,000	45% of total expenditures claimed
3C	Institutional Capacity and Awareness		1,155,000	45% of total expenditure claimed
3D	Project Internal Audit		176,000	100% of total expenditures claimed*
4	Incremental Administration Support	1,195,000		100% of total expenditures claimed*
5	Contingencies	3,897,000		
	<b>Total**</b>	<b>33,941,000</b>		

\*Exclusive of taxes and duties within the territory of the Borrower

\*\*Subject to the condition for withdrawal described in paragraph 6 of Schedule 3.

## SCHEDULE 4

### Procurement of Goods, Works and Consulting Services

#### General

1. The procurement of Goods, Works and Consulting Services shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used in this Schedule and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

#### National Competitive Bidding

5. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

#### Conditions for Issuance of Invitations to Bid

6. The Borrower, the Batch 1 Pourashavas, and Batch 2 Pourashavas shall not issue any invitations to bid for Works contracts until the Batch 1 Pourashavas and Batch 2 Pourashavas have conducted at least 1 business fair each, acceptable to ADB, for the promotion of business opportunities under the Project and to maximize competition for the Works contracts.

#### Conditions for Award of Contract

7. The Borrower and the Amtali Pourashava shall not award any Works contracts for Works in Amtali Pourashava until 2 sluice gates have been fixed to the satisfaction of ADB.

8. The Borrower and the Mathbaria Pourashava shall not award any Works contracts for Works in Mathbaria Pourashava until 1 sluice gate has been fixed to the satisfaction of ADB.

9. The Borrower and Batch II Pourashavas shall not award any Works contracts for Works in any Batch II Pourashava until all sluice gates and regulators have been fixed, as may be required, to the satisfaction of ADB.

#### Consulting Services

10. Except as ADB may otherwise agree, the Borrower and each Pourashava shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

11. The Borrower and Pourashavas shall recruit the individual consultants for in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

12. (a) The Borrower and Pourashavas shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower and Pourashavas shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

13. The Borrower and Pourashavas shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the Consulting Services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

#### ADB's Review of Procurement Decisions

14. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. The Borrower shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the project administration manual. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement, the provisions of the loan agreement shall prevail.
2. The Borrower shall ensure that no Loan proceeds are made available to any Pourashava until such Pourashava has entered into a Subsidiary Loan Agreement with the Borrower.

#### Counterpart Funds

3. The Borrower shall make available through budgetary allocations or other means, all counterpart funds required for the timely and effective implementation of the Project including (a) to mitigate unforeseen environmental and social impacts; and (b) to meet any additional costs arising from design changes, price escalations in construction or installation costs or other unforeseen circumstances.

#### Water Subproject and Water Tariffs

4. The Borrower shall ensure that all Pourashavas undertaking water and sanitation Subprojects:
  - (a) conduct deep borehole quality tests (for groundwater sources) and surface water quality tests (for surface water sources) and prepare the detailed designs for these Subprojects based on the findings of these tests;
  - (b) prepare and implement a comprehensive operations and maintenance plan which shall include (i) a sanitation and volumetric water tariff reform plan based on a financial model acceptable to ADB; and (ii) a debt repayment plan acceptable to ADB;
  - (c) introduce the first tariff revisions under the sanitation and volumetric water supply tariff reform plans at least 1 month prior to completion of the Works for a water or sanitation Subproject;
  - (d) introduce regulations to enable households applying for new water connections to pay the water connection fee through monthly installments;
  - (e) establish a water supply and sanitation section within their Engineering Section with designated technical staff and a separate ring-fenced

accounting system for collection and expenditure of sanitation and volumetric water supply tariff revenues; and

- (f) undertake public awareness campaigns, acceptable to ADB, on the need for sanitation and volumetric water supply tariff reforms prior to the introduction of the revised tariffs and an ongoing and regular basis thereafter.

#### Pourashava Operating Ratios

- 5. Commencing from FY2016, the Borrower shall ensure that each Pourashava improves its operational sustainability by achieving and maintaining the Specified Operating Ratio for each subsequent FY.
- 6. If a Pourashava is unable to achieve the Specified Operating Ratio in a FY, the Borrower shall provide the funds necessary to meet such Specified Operating Ratio.
- 7. The Borrower and each Pourashavas shall ensure that it has adequate enforcement mechanisms in place for the effective collection of service fees and property taxes and apply penalties in cases of nonpayment and late payment.

#### Performance Criteria

- 8. Unless otherwise agreed by ADB, the Borrower shall ensure that (a) no Pourashava receives any funding for Stage 1 Infrastructure until it has satisfied the performance criteria for Stage 1 Infrastructure investments as set forth in Appendix 5 of the PAM; and (b) no Pourashava receives any funding for Stage 2 Infrastructure until (i) it has satisfied the performance criteria for Stage 2 Infrastructure investments as set forth in Appendix 5 of the PAM; and (ii) it continues to satisfy the performance indicators for Stage 1 Infrastructure investments as set forth in Appendix 5 of the PAM.
- 9. Notwithstanding any provision to the contrary is this Loan Agreement, if a Pourashava fails to satisfy the performance criteria for Stage 1 Infrastructure or Stage 2 Infrastructure investments as set forth in Appendix 5 of the PAM, ADB may, in its sole discretion, cancel the undisbursed amount of the Loan allocated under the Project to the Pourashava that failed to satisfy such performance criteria.

#### Foreign Study Tours

- 10. The Borrower and Pourashavas (a) acknowledge and agree that all international training courses or study tours are subject to ADB's prior approval; (b) shall ensure that the selection criteria used for any local and international training or study tours is objective and transparent, and acceptable to ADB; and (c) ensure that all beneficiaries of international training under the Project undertake to continue their services to the Pourashava or at the direction of the Pourashava for at least 1 year following the completion of their international training courses.

#### Gender and Development

- 11. The Borrower and Pourashavas shall ensure that (a) the Gender Action Plan is implemented in accordance with its terms; (b) the bidding documents and contract include

relevant provisions for contractors to comply with the measures set forth in the Gender Action Plan; (c) adequate resources are allocated for the implementation of the Gender Action Plan; and (d) key gender outcome and output targets are monitored regularly and achieved.

#### Environment

12. The Borrower and Pourashavas shall ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project, each Subproject and all Project facilities comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the environmental safeguards; (c) the EARF; and (d) all measures and requirements set forth in the respective IEE and EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Land Acquisition and Involuntary Resettlement

13. The Borrower and Pourashavas shall ensure that all land and all rights-of-way required for the project, each Subproject and all project facilities are made available to the Works contractor in accordance with the schedule agreed under the related Works contract and all land acquisition and resettlement activities are implemented in compliance with (a) all applicable laws and regulations of the Borrower relating to land acquisition and involuntary resettlement; (b) the involuntary resettlement safeguards; (c) the RF; and (d) all measures and requirements set forth in the respective RP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

14. Without limiting the application of the involuntary resettlement safeguards, the RF or the RP, the Borrower shall ensure that no physical or economic displacement takes place in connection with the subprojects until:

- (a) compensation and other entitlements have been provided to affected people in accordance with the RP; and
- (b) a comprehensive income and livelihood restoration program has been established in accordance with the RP.

#### Indigenous Peoples

15. The Borrower and Pourashavas shall ensure that the Project does not involve any indigenous peoples risks or impacts within the meaning of the Safeguard Policy Statement. If due to unforeseen circumstances, the Project involves any such impacts, the Borrower and Pourashavas shall take all steps necessary or desirable to ensure that the Project complies with all applicable laws and regulations of the Recipient and with the Safeguard Policy Statement.

#### Human and Financial Resources to Implement Safeguards Requirements

16. The Borrower and Pourashavas shall make available the necessary budgetary and human resources to fully implement the EMPs and the RPs.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

17. The Borrower and Pourashavas shall ensure that all bidding documents and contracts for works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP and the RP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a safeguards monitoring report;
- (b) make available a budget for all such environmental and social measures;
- (c) provide the Borrower with a written notice of any unanticipated environmental, resettlement or indigenous peoples risks or impacts that arise during construction, implementation or operation of the project that were not considered in the IEE, the EMP, or the RP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction;
- (e) designate an appropriately qualified environmental supervisor to ensure proper and timely implementation of the EMP during construction of the Works;
- (f) designate an appropriately qualified resettlement supervisor to ensure proper and timely implementation of the RF and RPs during construction of the Works and monitor the reinstatement Works carried out under paragraph 10(vii) of this Schedule 5; and
- (g) fully reinstate pathways, other local infrastructure, private property and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

18. The Borrower shall do the following or shall cause the Pourashavas to do the following:

- (a) submit semi-annual safeguards monitoring reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the project that were not considered in the IEE, the EMP, or the RP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and



- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP, or the RP promptly after becoming aware of the breach.

#### Prohibited List of Investments

19. The Borrower shall ensure or cause the Pourashavas to ensure that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the Safeguards Policy Statement.

#### Labor Standards

20. The Borrower and Pourashavas shall ensure that all civil works contracts and bidding documents for the project include specific provisions requiring contractors to (a) comply with all applicable labor laws of the Borrower on the prohibition of child and forced labor; (b) give equal pay for equal work regardless of gender, ethnicity or caste; and (c) disseminate information on sexually transmitted diseases (including HIV/AIDS) and human trafficking to employees surrounding the project construction sites.

#### Governance and Anticorruption

21. The Borrower and Pourashavas shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to (i) investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (ii) suspend or cancel the Loan if ADB determines that corrupt, fraudulent, collusive or coercive practices have been engaged in with relation to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

22. The Borrower and Pourashavas shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the project.

#### Grievance Redress Mechanism

23. The Borrower shall, or will cause the Pourashavas, to establish and maintain a grievance redress committee or committees with representation from all stakeholders in the project for the purpose of addressing any grievances from affected peoples concerning resettlement, environment and any other social issues in a timely manner.

24. The Borrower shall, or shall cause the Pourashavas, to (a) establish websites for the Project within 6 months of the Effective Date to disseminate information regarding the Project including procurement activities relating to the Project; and (b) present detailed information on procurement at public meetings to supplement website based disclosures.

Combating Money Laundering and Financing of Terrorism

25. The Borrower shall and shall ensure that the Pourashavas:
- (a) comply with applicable laws and regulations of the Borrower on combating money laundering and financing of terrorism and that Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
  - (b) formulate and implement internal control procedures, including customer due diligence procedures, to prevent violation of subparagraph (a) hereinabove; and
  - (c) promptly inform ADB if there is any violation or potential violation of subparagraph (a) hereinabove. In the event that ADB informs the Borrower of its concern that there has been such an alleged violation, the Borrower and Pourashavas shall (i) cooperate in good faith with ADB and its representatives so that ADB can determine whether such a violation has occurred; (ii) respond promptly and in reasonable detail to any query from ADB; and (iii) furnish documentary support for such response upon ADB's request.