
GRANT NUMBER 0394-BAN (SCF)

GRANT AGREEMENT
(ADB Strategic Climate Fund)

(Coastal Towns Environmental Infrastructure Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK
acting as an implementing entity of the
Strategic Climate Fund

DATED 29 JUNE 2014

BAN 44212

**GRANT AGREEMENT
(Externally Financed)**

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

WHEREAS

(A) by a Project Design Advance Agreement dated 23 October 2012 between the Recipient and ADB ("PDA Agreement"), ADB agreed to provide a Project Design Advance ("PDA") loan to the Recipient 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;

(B) by a loan agreement of even date herewith between the Recipient and ADB ("ADF Loan Agreement"), ADB has agreed to provide a loan to the Recipient in various currencies equivalent to 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) ADB has established the ADB Strategic Climate Fund (as defined below) to receive, hold in trust and administer funds from SCF (as defined below);

(D) the Recipient has applied to ADB for a loan and a grant from SCF for the purposes of the Project;

(E) by a loan agreement of even date herewith between the Recipient and ADB ("SCF Loan Agreement"), ADB has agreed to provide from the ADB Strategic Climate Fund a loan in an amount of thirty million Dollars (\$30,000,000) ("SCF Loan") for the purposes of cofinancing expenditures under the Project;

(F) the Recipient 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 one million six hundred thousand Dollars (\$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 Recipient and ADB ("SFPTF Grant Agreement"), ADB has agreed to make the proceeds of the SFPTF Grant available to the Recipient upon the terms and conditions set forth therein; and

(H) ADB, acting in its capacity as an implementing agency of SCF in accordance with the Financial Procedures Agreement dated 18 March 2010 between the International Bank for Reconstruction and Development ("IBRD") and ADB, has agreed to make a grant to the Recipient from the ADB Strategic Climate Fund upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and the ADF Loan Agreement, have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Grant Agreement have the following meanings: "Subsidiary Grant Agreement" means an agreement between the Recipient and a Pourashava referred to in Section 3.01 of this Grant Agreement.

ARTICLE II

The Grant

Section 2.01. (a) ADB agrees to make available to the Recipient a grant from ADB Strategic Climate Fund in the amount of ten million four hundred thousand Dollars (\$10,400,000).

Section 2.02. The Recipient acknowledges that the Grant is funded out of resources made available by IBRD, acting as a trustee to SCF, to ADB as an implementing entity of SCF. No withdrawals shall be made if, as a result of such withdrawal, the total amount of the Grant withdrawn from the Grant Account would exceed the amount available to ADB from resources provided to it for purposes of the Grant. Only the resources made available to ADB for the purposes of the Grant shall be considered for the enforcement of any obligations, claims or liabilities under or in connection with the Grant.

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) The Recipient shall make available a part of the proceeds of the Grant to each Pourashava under a Subsidiary Grant Agreement upon terms and conditions satisfactory to ADB.

(b) The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

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

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2020 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Recipient 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 Grant 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 consolidated financial statements within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the consolidated financial statements for the Project and the Recipient'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 Recipient, unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

ARTICLE V

Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

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

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

ARTICLE VI

Effectiveness

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

(a) the execution and delivery of the ADF Loan Agreement on behalf of the Recipient 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 Grant Agreement) shall have been fulfilled;

(b) the execution and delivery of the SCF Loan Agreement on behalf of Recipient 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 Grant Agreement) shall have been fulfilled; and

(c) the execution and delivery of the SFPTF Grant Agreement on behalf of Recipient 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 Grant Agreement) shall have been fulfilled.

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

ARTICLE VII

Miscellaneous

Section 7.01. 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 Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

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

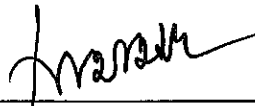
Facsimile Numbers:

(632) 636-2444

(632) 636-2293.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant 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

Allocation and Withdrawal of Grant 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 Grant and the allocation of the Grant proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant 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 Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Retroactive Financing

5. Withdrawals from the Grant 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 Grant Agreement in connection with items to be retroactively financed, subject to a maximum amount equivalent to 20% of the Grant amount.

Condition for Withdrawals from Grant Account

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

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Coastal Towns Environmental Infrastructure Project)				
Number	Item	Total Amount Allocated for SCF Financing (\$)		Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	8,130,000		11% of total expenditures claimed
2	Equipment	240,000		11% of total expenditures claimed
3	Consulting Services	710,000		
3A	Project Management Supervision		360,000	9% of total expenditures claimed
3B	Institutional Capacity and Awareness		350,000	9% of total expenditures claimed
4	Contingencies	1,320,000		
	Total*	10,400,000		

*Subject to the condition for withdrawal described in paragraph 6 of Schedule 1.