

---

LOAN NUMBER 3551-BAN(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])

(Third Urban Governance and Infrastructure Improvement (Sector) Project  
– Additional Financing)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 19 SEPTEMBER 2017

---

BAN 39295

**LOAN AGREEMENT  
(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated 19 September 2017 between PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement (Loan No. 3142-BAN[COL]) dated 27 August 2014 between the Borrower and ADB ("Initial Loan Agreement"), ADB provided the Borrower a concessional loan from ADB's ordinary capital resources in an amount equivalent to eighty-one million one hundred twenty-eight thousand Special Drawing Rights (SDR81,128,000) for the purposes of the project described in Schedule 1 to the Initial Loan Agreement ("Initial Project");

(B) by a loan agreement (Loan No. 8285-BAN[OFID]) dated 5 February 2015 between the Borrower and ADB, ADB made available to the Borrower a loan from the OPEC Fund for International Development ("OFID") in the amount of forty million Dollars (\$40,000,000) ("OFID Loan"), to be partially administered by ADB, for the purposes of financing a portion of Component 1 of the Initial Project;

(C) the Borrower has applied to ADB for 2 additional loans, a concessional loan and a regular loan, both from ADB's ordinary capital resources, for the purposes of the Project described in Schedule 1 to this Loan Agreement;

(D) by a loan agreement of even date herewith ("Ordinary Operations Loan Agreement"), ADB has agreed to make a loan ("Ordinary Operations Loan") to the Borrower from ADB's ordinary capital resources in an amount of one hundred million Dollars (\$100,000,000) for the purposes of financing the Project;

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

(F) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I****Loan Regulations; Definitions**

Section 1.01. All the provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

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) "Class A Pourashava" means a Pourashava with 3 years average annual revenue income of more than 10,000,000 Taka and holding tax collection efficiency of more than 75%, as defined in circular no. 811 dated 31 May 2011 by LGD;
- (b) "Class B Pourashava" means a Pourashava with 3 years average annual revenue income of more than 6,000,000 Taka and equal or less than 10,000,000 Taka and holding tax efficiency of more than 75%, as defined in circular no. 811 dated 31 May 2011 by LGD;
- (c) "Class C Pourashava" means a Pourashava with 3 years average annual revenue income of more than 2,000,000 Taka and equal or less than 6,000,000 Taka, as defined in circular no. 811 dated 31 May 2011 by LGD;
- (d) "Component" means a component of the Project as described in Schedule 1 to this Loan Agreement;
- (e) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2013, as amended from time to time);
- (f) "Consulting Services" means the services to be financed out of the proceeds of the Loan and/or the Ordinary Operations Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement, but excluding any services provided in relation to Goods and Works;
- (g) "Environmental Assessment and Review Framework" or "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;
- (h) "Environmental Management Plan" or "EMP" means an environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;

- (i) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (j) "Gender Action Plan" or "GAP" means the gender action plan prepared for the Project in consultation with the Borrower and approved by ADB;
- (k) "Goods" means equipment and materials to be financed out of the proceeds of the Loan and/or the Ordinary Operations Loan, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding Consulting Services;
- (l) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (m) "Initial Environmental Examination" or "IEE" means an 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) "km" means kilometers;
- (p) "LGD" means the Local Government Division under the Borrower's MLGRDC;
- (q) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (r) "O&M" means operation and maintenance;
- (s) "PAM" means the project administration manual for the Project dated 14 June 2017 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;
- (t) "Participating Pourashava" means a Window A Pourashava and/or Window B Pourashava, as the context requires;
- (u) "PIU" means each and any of the project implementation units referred to in paragraph 2 of Schedule 5 to this Loan Agreement;
- (v) "PMU" means the project management unit referred to in paragraph 2 of Schedule 5 to this Loan Agreement;

- (w) "Pourashava" has the meaning given to it in the Borrower's Local Government (Pourashava) Act, 2009 (Act No. 58 of 2009);
- (x) "Procurement Guidelines" means ADB's Procurement Guidelines (2015, as amended from time to time);
- (y) "Procurement Plan" means the procurement plan for the Project dated 14 June 2017, 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;
- (z) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means each of LGED and DPHE, or any successors thereto acceptable to ADB, which is responsible for carrying out the Project;
- (aa) "Project facilities" means the facilities to be improved, rehabilitated, modernized, constructed, and/or maintained, and the equipment to be installed and maintained under the Project;
- (bb) "Resettlement Framework" or "RF" means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (cc) "Resettlement Plan" or "RP" means the resettlement plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements of the RF and cleared by ADB;
- (dd) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (ee) "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 SECDP (as applicable), including any corrective and preventative actions;
- (ff) "Small Ethnic Community Development Plan" or "SECDP" means a small ethnic community development plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements of the SECDP and cleared by ADB;
- (gg) "Small Ethnic Community Planning Framework" or "SECPF" means the small ethnic community planning framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (hh) "Subproject" means a subproject under the Project that meets the subproject selection criteria set forth in Appendix 5 of the PAM;

- (ii) "Subsidiary Financing Agreement" means an agreement between the Borrower and a Participating Pourashava referred to in Section 3.01(a) of this Loan Agreement;
- (jj) "Taka" means the currency of the Borrower;
- (kk) "UGIAP" means the Urban Governance Improvement Action Program set forth in Appendix 2 to the PAM;
- (ll) "Window A" means priority Subprojects to be developed for eligible Window A Pourashavas;
- (mm) "Window A Pourashava" means each of the pre-selected Pourashavas set forth in Appendix 10 of the PAM;
- (nn) "Window B" means Subprojects to be developed for eligible Window B Pourashavas;
- (oo) "Window B Pourashava" means a Pourashava selected to participate and receive funding under Window B based on its assessment against the governance performance criteria set forth in Appendix 2-B of the PAM; and
- (pp) "Works" means construction or civil works to be financed out of the proceeds of the Loan and/or the Ordinary Operations 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. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of one hundred million Dollars (\$100,000,000).

(b) The Loan has a principal repayment period of 20 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) 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 2.02. 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.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 February and 15 August 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 the Dollar.

### ARTICLE III

#### Use of Proceeds of the Loan

Section 3.01. (a) The Borrower shall make available a part of the proceeds of the Loan to each Participating Pourashava under a Subsidiary Financing Agreement upon terms and conditions satisfactory to ADB. Except as ADB shall otherwise agree,

- (i) for revenue-generating Subprojects, financing shall be provided in a blend of grant and loan in such proportions as are satisfactory to ADB; the terms for relending the loan portion shall include denomination in Taka, interest at the rate of 6% per annum, with the Borrower bearing foreign exchange risk, and a repayment period of 20 years including a grace period of 5 years; and
- (ii) for Subprojects other than those mentioned in subparagraph (i) above, financing shall be on a 100% grant basis.

(b) The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan 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. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2021 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 of 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.

Section 4.02. (a) The Borrower 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 Loan 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 end of each related fiscal year, 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) The Borrower shall enable ADB, upon ADB's request, to discuss the 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)(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 the Borrower, unless the Borrower shall otherwise agree.

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

## ARTICLE V

### Suspension; Acceleration of Maturity

Section 5.01. The following is specified as an additional event 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: the Ordinary Operations Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.



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: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## ARTICLE VI

### Effectiveness

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Ordinary Operations Loan Agreement shall have been duly authorized by, and executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring the effectiveness of this Loan Agreement, shall have been fulfilled; and

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

### Miscellaneous

Section 7.01. The Senior Secretary or Secretary or any Additional Secretary or Chief, 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 7.02. 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

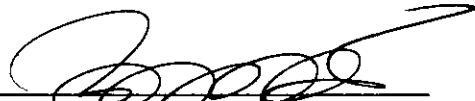
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

+63 2 636-2444  
+63 2 636-2293.

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   
KAZI SHOFIQUL AZAM  
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 achieve improved municipal service delivery and urban governance in Participating Pourashavas.
2. The Project shall comprise:  
  
Component 1: Municipal infrastructure improved and made gender- and climate-responsive in Window A Pourashavas and eligible Window B Pourashavas, including:
  - (a) the design, rehabilitation or construction of roads, drainage systems, water supply systems, sanitation systems, solid waste management disposal sites, including sludge management facilities, and other municipal facilities; and
  - (b) slum improvements.  
Component 2: Improved capacity of Participating Pourashavas in urban service delivery, planning and financial management, including the provision of support for:
  - (a) the formation of town-level coordination committees and ward committees, as well as woman and children affairs and poverty reduction and slum improvement standing committees;
  - (b) the preparation and adoption of urban master plans, O&M plans, as well as Pourashava-level development plans, poverty reduction action plans and gender action plans;
  - (c) improvements in tax collection, billing and record-keeping; and
  - (d) the selection of top-performing Pourashavas for funding under Window B.
3. Consulting Services will be provided to support the above stated activities.
4. The Project is expected to be completed by 30 June 2021.

**SCHEDULE 2**  
**Amortization Schedule**

Date Payment Due	Payment of Principal (Expressed in Dollars)*
15 February 2023	2,500,000
15 August 2023	2,500,000
15 February 2024	2,500,000
15 August 2024	2,500,000
15 February 2025	2,500,000
15 August 2025	2,500,000
15 February 2026	2,500,000
15 August 2026	2,500,000
15 February 2027	2,500,000
15 August 2027	2,500,000
15 February 2028	2,500,000
15 August 2028	2,500,000
15 February 2029	2,500,000
15 August 2029	2,500,000
15 February 2030	2,500,000
15 August 2030	2,500,000
15 February 2031	2,500,000
15 August 2031	2,500,000
15 February 2032	2,500,000
15 August 2032	2,500,000
15 February 2033	2,500,000
15 August 2033	2,500,000
15 February 2034	2,500,000
15 August 2034	2,500,000
15 February 2035	2,500,000
15 August 2035	2,500,000
15 February 2036	2,500,000
15 August 2036	2,500,000
15 February 2037	2,500,000
15 August 2037	2,500,000
15 February 2038	2,500,000
15 August 2038	2,500,000
15 February 2039	2,500,000
15 August 2039	2,500,000
15 February 2040	2,500,000
15 August 2040	2,500,000
15 February 2041	2,500,000
15 August 2041	2,500,000
15 February 2042	2,500,000
15 August 2042	<u>2,500,000</u>
<b>TOTAL</b>	<b>100,000,000</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").

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 the item of expenditure set forth in the Table.

Interest Charge

3. The amount allocated to Category "Interest Charges" is for financing the interest charge on the Loan during the implementation period of the Project. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge.

Reallocation

4. 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, in consultation with 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, in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Retroactive Financing

6. 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, subject to a maximum amount equivalent to 20% of the Loan amount.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS</b>			
<b>Number</b>	<b>Item</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>	<b>Basis for Withdrawal from the Loan Account</b>
1	Civil Works	87,520,000	80.0% of total expenditure claimed
2	Incremental Administrative Costs	480,000	20.0% of total expenditure claimed
3	Interest Charges	4,772,000	100.0% of amounts due
4	Unallocated	7,228,000	
	<b>TOTAL</b>	<b>100,000,000</b>	



**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. Except as ADB may otherwise agree, Goods and Works shall be procured and Consulting Services shall be selected and engaged only on the basis of the procurement methods and the selection methods set forth below. These methods are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the procurement methods and the selection methods or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Eligible Source of Procurement of Goods, Works and Consulting Services

3. Goods, Works and Consulting Services may also be procured under the Project from non-member countries of ADB.

4. 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

5. Goods and Works shall be procured on the basis of the procurement methods set forth below:

- (a) international competitive bidding;
- (b) national competitive bidding; and
- (c) shopping.

Domestic Preference

6. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.

National Competitive Bidding

7. 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.

#### Community Participation in Procurement

8. The Borrower may use community participation in procurement for Works contracts for slum improvements in accordance with the agreed procedures set out in the Procurement Plan.

#### Conditions for Award of Contract

9. The Borrower shall ensure that no Works contract for a Subproject which involves environmental impacts is awarded until the Project Executing Agency has:

- (a) obtained the final approval of the IEE from the relevant environmental authority of the Borrower; and
- (b) incorporated the relevant provisions from the EMP into the Works contract.

10. The Borrower shall ensure that no Works contract for a Subproject involving involuntary resettlement impacts is awarded until the Borrower has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design and obtained ADB's clearance of such RP.

11. The Borrower shall ensure that no Works contract for a Subproject which involves impacts on small ethnic community peoples is awarded until the Borrower has prepared and submitted to ADB the final SECDP, and obtained ADB's clearance of such SECDP.

#### Consulting Services

12. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for Consulting Services.

13. The Borrower shall recruit the individual consultants for project support in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

14. (a) The Borrower 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 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.

15. The Borrower 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

16. 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 and the Project Executing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. 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 this Loan Agreement shall prevail.

2. The Borrower shall ensure the establishment of (a) a PMU and (b) a PIU in each Participating Pourashava, in a timely manner with adequate full-time staff to implement the Project and each Subproject in accordance with the requirements and procedures set forth in the PAM. The Borrower shall also ensure that staff and officials who receive training under the Project are not transferred out of their respective organization for the duration of the Project implementation.

Coordination among the Borrower's Agencies

3. The Borrower shall be fully committed to the Project and shall ensure that all its ministries, agencies and divisions involved in the implementation of the Project, including local government authorities, give their full cooperation to ensure smooth implementation of the Project. Specifically, the Borrower shall cause the Project Executing Agency and any other relevant authority to give full, timely and efficient cooperation in issuing any licenses, permits or approvals required in connection with construction, upgrade, and/or improvement of Project facilities within the Project areas.

Counterpart Funds

4. The Borrower shall provide, as necessary, counterpart staff, land, facilities, and funding required for timely and effective implementation of the Project, including, without limitation, any funds required (a) to meet any shortfall between cost and revenues for the O&M of Project facilities; (b) to mitigate unforeseen environmental or social impacts; and (c) to meet any additional costs arising from design changes, price escalation in construction costs and/or unforeseen circumstances such as proceeds of the OFID Loan not being made available. The Borrower shall make the resources thus required available on an annual basis for each fiscal year.

5. The Borrower shall ensure, or cause the Project Executing Agency to ensure, that each Participating Pourashava provides adequate funds from budgetary allocations or other sources to cover, at a minimum, (a) its loan repayment obligations under the Subsidiary Financing Agreement; and (b) O&M costs for the relevant Subproject(s) and Project facilities.

Project Website

6. Within 6 months after the Effective Date, the Borrower shall ensure the Project Executing Agency, through its website or a project-specific website, disclose key project-related information, including costs, safeguards, and procurement matters such as basic

details on bidding procedures adopted, the list of participating bidders, name of the winning bidders, amount of contract award, and the list of goods/services procured. The website shall also include general information on Project progress, as well as contact details for the Project Executing Agency's counterpart staff in Bangla and English languages, and shall provide a link to ADB's Office of Anticorruption and Integrity website at <http://www.adb.org/site/integrity/main> for reporting to ADB any grievances or allegations of corrupt practices arising out of the Project and/or Project activities. The Borrower shall cause the Project Executing Agency to ensure that all Project staff are fully aware of ADB's procedures, including, but not limited to, procedures for implementation, procurement, disbursements, reporting, monitoring, and prevention of fraud and corruption.

#### Grievance Redress Mechanism

7. Within 12 months after the Effective Date, the Borrower shall ensure that the Project Executing Agency prepare a grievance redress mechanism, acceptable to ADB, to receive and resolve complaints/grievances or act upon reports from stakeholders on any irregularities, including grievances due to resettlement. The mechanism shall (a) make the public aware of the existence of this grievance redress mechanism; (b) receive, review and address complaints/grievances of stakeholders of the Project, in relation to the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (c) proactively and constructively respond to them.

#### Pourashava Eligibility

8. The Borrower shall seek and obtain a letter of commitment from each Participating Pourashava, with endorsement from the respective town-level coordination committee, indicating its commitment to governance reform and model town development, as a prerequisite for inclusion in the Project.

9. The Borrower shall ensure that:

- (a) no Pourashava receives any funding under Window A until it has fulfilled the relevant criteria for the two phases of the UGIAP, namely: (i) the intermediate criteria for phase 2; and (ii) the advanced criteria for phase 3, as set forth in Appendix 2-A of the PAM;
- (b) no Pourashava receives any funding under Window B until it has been assessed in accordance with paragraph 10 below and found to have performed to a standard acceptable to the Project Executing Agency and ADB against the criteria for Window B set forth in Appendix 2-B of the PAM; and
- (c) the amount of funding to be allocated for each phase of Window A and Window B shall be as agreed between the Borrower and ADB.

10. For the purposes of Window B, the Borrower shall ensure that (a) in addition to the performance assessment conducted in August 2016, a second performance assessment is conducted during Project implementation in consultation with ADB on all Class A Pourashavas and those Class B and Class C Pourashavas that wish to participate in the assessment; and (b) performance-based funds in amounts as agreed by the Borrower and

ADB are allocated to the best performing Pourashavas as determined by the Project Executing Agency and ADB.

#### Subproject Appraisal and Selection

11. The Project Executing Agency shall ensure that all Subprojects are selected and implemented in accordance with the subproject selection criteria and requirements as agreed with ADB and set forth in Appendix 1 to the PAM.

12. The Borrower shall ensure, or cause the Project Executing Agency to ensure, that there is no overlap of activities between Subprojects and projects funded by other development partners.

#### Safeguards

13. The Borrower shall ensure, or cause the Project Executing Agency to ensure, that construction works under the Project do not involve significant adverse environmental impacts which may be classified as category A under the SPS or its related rules/manuals.

#### Environment

14. The Borrower shall ensure, or cause the Project Executing Agency to 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, rules 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, the EMP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Resettlement

15. The Borrower shall ensure, or cause the Project Executing Agency to 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, rules 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 the Safeguards Monitoring Report.

16. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure, or cause the Project Executing Agency to ensure, that no physical or economic displacement takes place in connection with the Project or a Subproject 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.

Small Ethnic Community Peoples

17. The Borrower shall ensure, or cause the Project Executing Agency to ensure, that the preparation, design, construction, implementation and operation of the Project, each Subproject and all Project facilities comply with (a) all applicable laws, rules and regulations of the Borrower relating to small ethnic community peoples; (b) the Indigenous Peoples Safeguards; (c) the SECPF; and (d) all measures and requirements set forth in the respective SECDP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

18. The Borrower shall make available, or cause the Project Executing Agency to make available, necessary budgetary and human resources to fully implement the EMP, the RP and the SECDP (if any).

Safeguards – Related Provisions in Bidding Documents and Works Contracts

19. The Borrower shall ensure, or cause the Project Executing Agency to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE, the EMP, the RP and the SECDP (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set forth 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, the RP or the SECDP (if any);
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

20. The Borrower shall do, or cause the Project Executing Agency to do, the following:

- (a) submit semiannual 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, the RP or the SECDP (if any), 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, the RP or the SECDP (if any) promptly after becoming aware of the breach.

#### Prohibited List of Investments

21. The Borrower shall 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 SPS.

#### Gender and Development

22. The Borrower shall ensure that the Project Executing Agency and each Participating Pourashava adopt and implement the GAP in a timely manner during the entire Project period, and that adequate resources are allocated for this purpose. In particular the Borrower shall cause the Project Executing Agency to ensure that the targets stated in the GAP are achieved and that adequate training for Project staff on the GAP is conducted. Implementation of the GAP shall be closely monitored, and the progress shall be reported to ADB on a quarterly basis.

#### Labor, Health and Anti-Human Trafficking

23. The Borrower, the Project Executing Agency and Participating Pourashavas shall ensure that contractors comply with all applicable labor, health, and safety laws, rules and regulations of the Borrower and, in particular, (a) do not employ child labor for construction and maintenance activities; and (b) provide appropriate facilities (latrines, etc.) for workers at construction sites. The Borrower shall require contractors not to differentiate wages between men and women for work of equal value. The Borrower and the Project Executing Agency shall ensure that specific clauses are included in bidding documents to ensure adherence to these provisions, and that compliance shall be strictly monitored during Project implementation.

24. The Borrower, the Project Executing Agency and Participating Pourashavas shall ensure that contractors shall disseminate information on the risk of transmission of sexually-transmitted diseases, including HIV/AIDS, in health and safety programs to all construction workers employed under the Project. Specific provisions to this effect shall be included in bidding documents and civil works contracts, and compliance shall be monitored by the Project Executing Agency and reported to ADB.

25. The Borrower, the Project Executing Agency and Participating Pourashavas shall ensure that awareness campaign on anti-human trafficking shall be conducted and that information and print material on anti-human trafficking shall be developed and distributed to all construction workers and the community in the Project areas throughout the Project



implementation period. Compliance shall be monitored by the Project Executing Agency, and reported to ADB.

#### O&M

26. During Project implementation and thereafter, the Borrower shall ensure that the Project Executing Agency and Participating Pourashavas maintain the Project facilities and that proper technical supervision and adequate routine funds for this purpose are provided. The funds required for the O&M of the Project facilities shall be allocated annually and released in a timely basis by Participating Pourashavas. Furthermore, the Borrower shall cause the Project Executing Agency and Participating Pourashavas to ensure that all equipment and spare parts financed under the Project shall be used for the O&M of the Project.

27. The Borrower shall ensure, or cause the Project Executing Agency to ensure, that each Window A Pourashava develops and implements in a timely manner a sanitation action plan, which includes a septage management plan to improve regular cleaning of septic tanks and safe disposal of septage.

#### Development Coordination

28. The Borrower shall keep ADB informed of discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Project. The Borrower shall provide ADB with an opportunity to comment on any resulting policy reforms which could affect the Project, and shall take into account ADB's views before finalizing and implementing any such proposals.

#### Governance and Corruption

29. The Borrower, the Project Executing Agency, and Participating Pourashavas shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

30. The Borrower, the Project Executing Agency, and Participating 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.

#### Combating Money Laundering and Financing of Terrorism

31. The Borrower shall ensure that:

- (a) the Project Executing Agency and Participating Pourashavas comply with applicable laws, rules and regulations of the Borrower on combating money laundering and financing of terrorism;

- (b) the Loan proceeds are not used, directly or indirectly, in money laundering or financing of terrorism;
- (c) the Project Executing Agency and Participating Pourashavas formulate and implement internal control procedures to prevent violation of subparagraph (a) hereinabove; and
- (d) ADB is promptly informed 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, the Project Executing Agency and Participating 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 queries from ADB; and (iii) furnish documentary support for such response upon ADB's request.