



CREDIT NUMBER 5664-BD

Project Agreement

(Financial Sector Support Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANGLADESH BANK

Dated *June 30*, 2015

PROJECT AGREEMENT

AGREEMENT dated *June 30*, 2015, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) and BANGLADESH BANK (“Project Implementing Entity”) (“Project Agreement”) in connection with the Financing Agreement (“Financing Agreement”) of same date between the PEOPLE’S REPUBLIC OF BANGLADESH (“Recipient) and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

- 2.01. The Project Implementing Entity declares its commitment to the objective of the Project. To this end, the Project Implementing Entity shall carry out the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

- 3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

- 4.01. The Project Implementing Entity’s Representative is its Governor.

4.02. The Association's Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423(MCI)

1-202-477-6391

4.03. The Project Implementing Entity's Address is:

Bangladesh Bank
Motijheel Commercial Area
Dhaka 1000

Facsimile:

+8802 953 0176

AGREED at Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Kimes

Authorized Representative

Name: CHRISTINE KIMES

Title: Acting Head of Bangladesh
Country office
For The Country Director

BANGLADESH BANK

By

Md. Ahsan Ullah

Authorized Representative

Name: Md. AHSAN ULLAH

Title: Executive Director

SCHEDULE 1

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Project Implementing Entity shall:

- (a) maintain adequate organizational structures, including the Project Coordination Unit, with functions, powers, staff and resources necessary and appropriate for ensuring Project implementation, monitoring and supervision; and
- (b) not later than two (2) months after the Effective Date establish, and thereafter maintain, a Project Steering Committee, with compositions and responsibilities acceptable to the Association.

B. Operations Manual

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of the Operations Manual, and shall ensure that the Operations Manual is not materially revised, amended, waived, or abrogated without the prior consent of the Association. In the event of any conflict between the provisions of the Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

C. Sub-loans

For purposes of carrying out the Project, the Project Implementing Entity shall:

- (a) (i) appraise and select PFIs in accordance with the criteria set forth in the Operations Manual;
- (ii) relend to the PFIs a portion of the proceeds of the Financing under Participation Agreements on terms and conditions acceptable to the Association including those set forth in Schedule 2 to this Agreement;
- (iii) not assign, amend, abrogate or waive any Participation Agreement or any of the provisions thereof, without the prior consent of the Recipient and the Association;

(iv) comply with its obligations under the Participation Agreements, and exercise its rights under the Participation Agreements in such manner as to protect its interests and those of the Recipient and the Association and achieve the purposes of the Project; and

(b) cause the PFIs:

(i) to appraise and select Eligible Sub-borrowers in accordance with the criteria set forth in the Operations Manual;

(ii) to determine the amount of the Sub-loan comprising a portion financed out of the proceeds of the Financing and a portion financed by the Project Implementing Entity, together with the interest charged on the principal amount outstanding from time to time and the repayment period, inclusive of grace period, each in accordance with the applicable provisions in the Operations Manual;

(iii) to make Sub-loans to Eligible Sub-borrowers under Sub-loan Agreements on terms and conditions acceptable to the Association including those set forth in Schedule 3 to this Agreement; and

(iv) to exercise the PFI's rights under the Sub-loan Agreements in such manner as to protect the interests of the Association, comply with their obligations under the Sub-loan Agreements, and achieve the purposes of the Project.

D. Anti-Corruption

The Project Implementing Entity shall ensure that the Project is carried out in accordance with the provisions of:

(a) the Anti-Corruption Guidelines; and

(b) the Governance and Accountability Action Plan.

E. Safeguards

1. The Project Implementing Entity shall, and shall cause each PFI and Eligible Sub-borrower to, carry out the Project in accordance with the ESMF and any relevant ESM Plan and the Environmental, Health and Safety Guidelines, and pursuant to the objectives, policies, procedures and other provisions set forth therein, in a form and content satisfactory to the Association.

2. Prior to the carrying out of any activity under a Sub-Project, the Project Implementing Entity shall cause each PFI through its respective Participation Agreement and Sub-borrower:
 - (a) to carry out and/or cause to be carried out an environmental/social screening and/or an environmental/social assessment (as the case may be) of the pertinent activities to be financed under the Project, including under a Sub-Loan;
 - (b) to approve, and/or cause to be approved any required ESM Plan applicable to a Sub-loan prepared following the requirements of the ESMF; and
 - (c) to implement and/or cause to be implemented the corresponding ESM Plan in accordance with its terms.
3. Without limitation on its other reporting obligations under this Agreement, the Project Implementing Entity shall collect, compile and submit to the Association on a bi-annual basis (or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESMF with respect to all Sub-Loans, including those made by the Project Implementing Entity and those made by PFIs, giving details of: (a) measures taken in furtherance of the said instrument; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.
4. In the event of any conflict between the provisions of the ESMF (including any environmental/social management plan prepared thereunder) and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of the Project (including the Governance and Accountability Action Plan) and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the Operations Manual. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later forty five (45) days after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations and financial condition of the Project Implementing Entity, including the operations, resources and expenditures related to the Project.
2. Without limitation on the provisions of Part A of this Section, the Project Implementing Entity shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Project Implementing Entity shall have its financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of the Project Implementing Entity. The Project Implementing Entity shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. Procurement

All goods, works and services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

SCHEDULE 2

Principal Terms and Conditions of the Participation Agreements

Each Participation Agreement shall contain provisions pursuant to which the Project Implementing Entity shall obtain rights adequate to protect its interest and those of the Recipient and the Association, including the right to:

- (a) suspend or terminate the right of the PFI to use the proceeds of the Financing made available to it to make Sub-loans or declare it due and payable upon the PFI's failure to perform any of its obligations under the Participation Agreement; and
- (b) require the PFI:
 - (i) to carry out activities under the Project under a plan of action agreed with the Project Implementing Entity and in accordance with appropriate technical, economical, financial, managerial, environmental and social standards and practices, including in conformity with: (A) the investment and lending policies and procedures referred to in the Operations Manual; (B) the ESM Plan and any required ESM Plan and the Environmental, Health and Safety Guidelines; and (C) the Anti-Corruption Guidelines;
 - (ii) to maintain qualified management staff in adequate numbers as required for the purposes of the Project;
 - (iii) to provide, promptly as needed, the funds, facilities, services and other resources required for such purposes;
 - (iv) to make one or more Sub-loans to one or more Eligible Sub-borrowers under Sub-loan Agreements on the terms and conditions set forth in Schedule 3 to this Agreement;
 - (v) to exercise its rights in relation to each such Sub-loan in such manner as to protect its interests and the interests of the Recipient, the Project Implementing Entity and the Association, comply with its obligations under its respective Participation Agreement, and achieve the purposes of the Project;
 - (vi) to not assign, amend, abrogate or waive any of its agreements providing for a Sub-loan, or any provision thereof, without the prior consent of the Project Implementing Entity and the Association; and

- (vii) to supervise, monitor and report on the activities to be carried out under a Sub-project by each Eligible Sub-borrower in accordance with the provisions of the Operations Manual and the EMSF.
- (viii) to exchange views with and furnish all such information to the Recipient, the Project Implementing Entity and the Association, as may be reasonably requested by the Recipient, the Project Implementing Entity or the Association, with regard to the progress of the activities under the Project, the performance of its obligations under its respective Participation Agreement, and other matters relating to the purposes of the Project;
- (ix) to prepare and submit to the Project Implementing Entity: (A) reports on Sub-loan disbursements in line with the requirements of the interim unaudited financial report format included in the Operations Manual as and when reimbursement claims are made; and (B) annual financial performance reports until the Participation Agreement has ended; and
- (x) promptly to inform the Recipient, the Project Implementing Entity and the Association of any condition which interferes or threatens to interfere with the progress of its activities under its respective Participation Agreement.

SCHEDULE 3

Principal Terms and Conditions of Sub-loan Agreements

Each Sub-loan Agreement shall contain provisions pursuant to which the PFI shall obtain rights adequate to protect its interest and those of the Recipient, the Project Implementing Entity and the Association, including the right to:

- (a) suspend or terminate the right of the Sub-borrower to use the proceeds of the Sub-loans or declare it due and payable upon the Sub-borrower's failure to perform any of its obligations under the Sub-loan Agreement; and
- (b) require the Eligible Sub-borrower to:
 - (i) carry out the Sub-project financed out of the proceeds of a Sub-loan with due diligence and efficiency and in accordance with sound technical, economical, financial, managerial, environmental and social standards and practices, including those set forth in the Operations Manual, the EMSF and any EMS Plan, the Environmental, Health and Safety Guidelines and the Anti-Corruption Guidelines;
 - (ii) (A) maintain policies and procedures to enable it to monitor and evaluate the progress of the Sub-loan in accordance with indicators acceptable to the Project Implementing Entity; and (B) prepare financial statements in accordance with consistently applied accounting standards in accordance with the Operations Manual;
 - (c) require that: (A) the goods, works and services to be financed out of the proceeds of the Sub-loan shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement; and (B) such goods, works and services shall be exclusively used in the carrying out of the activities financed out of the proceeds of the relevant Sub-Loan;
 - (ii) to inspect, by itself or jointly with representatives of the Association, if the Association shall so request, such goods and the sites, works, plants and construction included in the activities to be financed out of the proceeds of a Sub-loan, the operation thereof, and any relevant records and documents; and
 - (iii) obtain all such information as the Association or the Project Implementing Entity shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Eligible Sub-borrower and to the benefits to be derived from the activities financed out of the proceeds of a Sub-loan.