
LOAN NUMBER 4238-BAN

LOAN AGREEMENT
(Ordinary Operations)
(Coastal Towns Climate Resilience Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 26 DECEMBER 2022

BAN 55201



**LOAN AGREEMENT
(Ordinary Operations)**

LOAN AGREEMENT dated 26 December 2022 between PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") 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 loan agreement of even date herewith between the Borrower and ADB ("Concessional Loan Agreement"), ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources ("Concessional Loan") in an amount of one hundred and fifty million Dollars (\$150,000,000) for the purpose of financing expenditures under the Project;

(C) by a grant agreement of even date herewith between the Borrower and ADB ("Grant Agreement"), ADB has agreed to make a grant to the Borrower from ADB's Special Funds resources ("Grant") in an amount of four million Dollars (\$4,000,000) for the purpose of financing expenditures under the Project;

(D) the Project will be carried out by the Borrower and the Pourashavas identified in Schedule 5 to this Loan Agreement ("Pourashavas"), and for this purpose the Borrower shall make available to the Pourashavas the proceeds of the loan provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has agreed to make a loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and each Pourashava;

NOW THEREFORE the parties hereto agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All the provisions of ADB's Ordinary Operations Loan Regulations, dated 1 January 2022 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

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

"Project Agreement" means the Project Agreement of even date herewith between ADB and each Pourashava, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement; and



- (b) The term "Project Executing Agency" appearing in Sections 7.01(a)(i), 9.01(d), 9.01(f), 9.01(k), 10.01(c) and 10.02(c) of the Loan Regulations shall be substituted by the term "each Pourashava".

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) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (b) "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;
- (c) "Environmental Management Plan" or "EMP" means each environmental management plan for a Subproject, including any update thereto, incorporated in the IEE;
- (d) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (e) "EWCD" means elderly persons, women, children, and persons with disabilities;
- (f) "GAP" means the gender action plan prepared for the Project, including any update thereto, agreed to between the Borrower and ADB;
- (g) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (h) "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;
- (i) "Indigenous Peoples Safeguards" means the principles and requirements set forth in Chapter V, Appendix 3, and Appendix 4 (as applicable) of the SPS;
- (j) "Involuntary Resettlement Safeguards" means the principles and requirements set forth in Chapter V, Appendix 2, and Appendix 4 (as applicable) of the SPS;

- (k) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (l) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Loan;
- (m) "PAM" means the project administration manual for the Project dated 13 September 2022 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;
- (n) "Pourashavas" means the Pourashavas listed in Schedule 5 to this Loan Agreement, each established under the Local Government (Pourashava) Act 2009 (which are identified in the PAM as 'Project Implementing Agencies');
- (o) "Procurement Plan" means the procurement plan for the Project dated 13 September 2022 and agreed between the Borrower and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (p) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (q) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (r) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means the Local Government Engineering Department of the Local Government Division of the Ministry of Local Government, Rural Development and Cooperatives of the Borrower, or any successor thereto acceptable to ADB;
- (s) "Project Facilities" means all facilities to be improved, provided or otherwise financed under the Project;
- (t) "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;
- (u) "Resettlement Plan" or "RP" means each 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;



- (v) "Safeguards Monitoring Report" means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, any EMP, RP or SECP (as applicable), including any corrective and preventative actions;
- (w) "Safeguard Policy Statement" or "SPS" means ADB's Safeguard Policy Statement (2009);
- (x) "Small Ethnic Communities Planning Framework" or "SECPF" means the Small Ethnic Communities planning framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;
- (y) "Small Ethnic Communities Plan" or "SECP" means each Small Ethnic Communities plan for a Subproject, including any update thereto, prepared and submitted by the Borrower pursuant to the requirements set forth in the SECPF and cleared by ADB;
- (z) "Services" means Consulting Services and Nonconsulting Services;
- (aa) "Subproject" means each subproject selected for financing under the Project, as set out in the PAM; and
- (bb) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Loan, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Loan

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of ninety six million Dollars (\$96,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.06 of this Loan Agreement.

(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 interest on the principal amount of the Loan withdrawn and outstanding from time to time at a rate for each Interest Period equal to the sum of:

- (a) SOFR;
- (b) 0.60% as provided by Section 3.02 of the Loan Regulations less a credit of 0.10% as provided by Section 3.03 of the Loan Regulations; and
- (c) a maturity premium of 0.10% as provided by Section 3.03 of the Loan Regulations.

Section 2.03. The Borrower shall pay a commitment charge of 0.15% per annum. Such charge shall accrue on the full amount of the Loan (less amounts withdrawn from time to time), commencing 60 days after the date of this Loan Agreement.

Section 2.04. Interest and other charges on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.05. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the provisions of Schedule 2 to this Loan Agreement.

Section 2.06. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, whether withdrawn and outstanding or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Floating Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Floating Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Floating Rate.

(b) Any conversion requested pursuant to subsection (a) hereinabove that is accepted by ADB shall be considered a "Conversion", as defined in Section 2.01(e) of the Loan Regulations, and shall be effected in accordance with the provisions of Article V of the Loan Regulations and the Conversion Guidelines.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall make an appropriate portion of the proceeds of the Loan available to the Pourashavas upon terms and conditions satisfactory to ADB and shall cause the Pourashavas to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement, the Project Agreement, and the PAM.

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 9.02 of the Loan Regulations shall be 31 December 2029 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 4 to this Loan Agreement and the Project Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project and 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 financial reporting standards 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 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; (v) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinions 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 (vi) furnish to ADB, no later than 9 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)(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 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods, Works and Services, and any relevant records and documents.

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.

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 9.01(m) of the Loan Regulations:

- (a) the Concessional Loan shall have become liable for suspension or cancellation prior to the Loan Closing Date; and
- (b) the Grant 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 9.07(a)(iv) of the Loan Regulations: either 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 10.01(f) of the Loan Regulations:

- (a) the Concessional Loan Agreement shall have been duly executed and delivered and all conditions to its effectiveness (other than the effectiveness of this Loan Agreement and the Grant Agreement) shall have been fulfilled; and
- (b) the Grant Agreement shall have been duly executed and delivered and all conditions to its effectiveness (other than the effectiveness of this Loan Agreement and the Concessional 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 this Loan Agreement for the purposes of Section 10.04 of the Loan Regulations.

ARTICLE VII

Delegation of Authority

Section 7.01. The Borrower hereby designates the Project Executing Agency 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 3.04 of this Loan Agreement and under Sections 6.01, 6.02, 6.03 and 6.04 of the Loan Regulations.

Section 7.02. Any action taken or any agreement entered into by the Project Executing Agency 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 the Project Executing Agency and the 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 12.02 of the Loan Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 12.01 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) 8636-2444
(632) 8636-2338.




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  26/12/2022
 SHARIFA KHAN
 Secretary
 Economic Relations Division
 Ministry of Finance

ASIAN DEVELOPMENT BANK

By 
 JIANGBO NING
 Officer-In-Charge
 Bangladesh Resident Mission



SCHEDULE 1**Description of the Project**

1. The objective of the Project is to strengthen the climate and disaster resilience of coastal towns, targeting the poor and women.
2. The Project shall comprise:
 - (a) **Part 1:** Improvement of municipal infrastructure for resilience in Project towns, including construction, renovation and restoration of climate-resilient and EWCD-friendly municipal infrastructure, including cyclone shelters, roads including emergency access roads, stormwater drainage systems, water bodies, integrated solid waste management systems, bridges, culverts, public spaces, sanitation facilities and public transport infrastructure;
 - (b) **Part 2:** Enhancing the climate- and disaster-resilience of livelihoods by increasing the adaptive capacity of selected vulnerable households (targeting women and persons with disabilities) in the areas governed by the Pourashavas through skills development, inventorying and insuring productive assets; and
 - (c) **Part 3:** Strengthening institutional capacity, governance, and climate awareness through risk-informed urban development and poverty reduction action plans, including training Project Executing Agency and Pourashava staff on climate and disaster risk assessment, operationalizing disaster management committees and improving finance systems of Pourashavas, gender responsive operation and maintenance plans for Project Facilities, and gender responsive urban space guidelines.
3. The Project is expected to be completed by 30 June 2029. In the event the Project is completed earlier, then Section 3.04 on the Loan Closing Date will be amended accordingly.



SCHEDULE 2

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by ADB by multiplying (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<u>Date Payment Due</u>	<u>Installment Share</u> (Expressed as a %)
15 April 2028	2.500000
15 October 2028	2.500000
15 April 2029	2.500000
15 October 2029	2.500000
15 April 2030	2.500000
15 October 2030	2.500000
15 April 2031	2.500000
15 October 2031	2.500000
15 April 2032	2.500000
15 October 2032	2.500000
15 April 2033	2.500000
15 October 2033	2.500000
15 April 2034	2.500000
15 October 2034	2.500000
15 April 2035	2.500000
15 October 2035	2.500000
15 April 2036	2.500000
15 October 2036	2.500000
15 April 2037	2.500000
15 October 2037	2.500000
15 April 2038	2.500000
15 October 2038	2.500000
15 April 2039	2.500000
15 October 2039	2.500000
15 April 2040	2.500000
15 October 2040	2.500000
15 April 2041	2.500000
15 October 2041	2.500000
15 April 2042	2.500000
15 October 2042	2.500000




<u>Date Payment Due</u>	<u>Installment Share</u> <u>(Expressed as a %)</u>
15 April 2043	2.500000
15 October 2043	2.500000
15 April 2044	2.500000
15 October 2044	2.500000
15 April 2045	2.500000
15 October 2045	2.500000
15 April 2046	2.500000
15 October 2046	2.500000
15 April 2047	2.500000
15 October 2047	2.500000
Total	100.000000

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

- (a) to the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule; and
- (b) any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by ADB by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. Withdrawals made within 2 calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by ADB by multiplying such amount in its currency of denomination immediately prior to said Conversion by either (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by ADB under the Currency Hedge Transaction relating to said Conversion; or

(b) if ADB so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.



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 allocated to items of expenditure, and 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, 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

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook, and detailed agreements agreed upon between ADB and the Borrower.

Retroactive Financing

5. Withdrawals from the Loan Account may be made to finance 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 1 (Civil works and equipment), 2 (Civil works and equipment (nature-based solutions)), 4 (Project management and capacity development) and 5 (Incremental administration costs) of the Table, subject to a maximum amount equivalent to 20% of the Loan amount.



TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Loan Account
		Category	
1	Civil Works	74,225,000	39.9% of total expenditure claimed*
2	Equipment	3,334,000	34.6% of total expenditure claimed*
3	Project management and capacity development	3,207,000	26.6% of total expenditure claimed*
4	Incremental administration cost	5,249,000	34.9% of total expenditure claimed*
5	Unallocated	9,985,000	
	TOTAL	96,000,000	

* Exclusive of taxes and duties imposed within the territory of the Borrower.

SCHEDULE 4**Execution of Project; Financial Matters**Implementation Arrangements

1. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to 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 the Loan Agreement, the provisions of the Loan Agreement shall prevail.
2. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, smooth implementation of the Project, and that any grievance of any stakeholder in relation to the implementation of any Subproject or any use of Project funds is addressed effectively and efficiently.
3. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, compliance with all of their respective requirements and obligations included in the Loan Agreement, and to meet the objectives of the Project in a timely and efficient manner.
4. The Borrower will ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that Pourashavas will be selected for participation in Part 2 of the Project in accordance with the criteria set forth in the PAM.

Procurement

4. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that:
 - (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
 - (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Borrower, through the Project Executing Agency, may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan; and
 - (c) (i) all Goods and Works procured and Services obtained (including 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; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if

appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Conditions for Awards of Contracts; Commencement of Works

5. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that no Works contract is awarded for a Subproject that involves:

- (a) environmental impacts until (i) the Project Executing Agency has prepared and submitted to ADB an IEE including EMP for that Subproject; (ii) ADB has provided its final approval of the relevant IEE and EMP; (iii) the Department of Environment of the Borrower has provided its final approval of the IEE; and (iv) the relevant provisions from the IEE and EMP have been incorporated into the Works contract;
- (b) involuntary resettlement impacts until the Project Executing Agency 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 that RP; or
- (c) impacts on Small Ethnic Communities until the Project Executing Agency has prepared and submitted to ADB the final SECP, and obtained ADB's clearance of that SECP.

Environment

6. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that the preparation, design, construction, implementation, operation and decommissioning of 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.

Involuntary Resettlement

7. 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 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

8. Without limiting the application of the Involuntary Resettlement Safeguards, the RF or the RP, the Borrower shall ensure, and cause the Project Executing Agency and the Pourashavas to 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.

Tribes, Minor Races, Ethnic Sects and Small Ethnic Communities

9. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas 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 and regulations of the Borrower relating to indigenous peoples (also referred to as tribes, minor races, ethnic sects and small ethnic communities under the laws of the Borrower); (b) the Indigenous Peoples Safeguards; (c) the SECPF; and (d) all measures and requirements set forth in the respective SECP, and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

Human and Financial Resources to Implement Safeguards Requirements

10. The Borrower shall make available, or cause the Project Executing Agency and the Pourashavas to make available, all necessary budgetary and human resources to fully implement each EMP, RP and SECP.

Safeguards-Related Provisions in Bidding Documents and Works Contracts

11. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to 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 relevant IEE, EMP, RP and SECP (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 Small Ethnic Communities 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 SECP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) fully reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction;

Safeguards Monitoring and Reporting

12. The Borrower shall do the following, or shall cause the Project Executing Agency and 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, the RP or the SECP, 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 SECP promptly after becoming aware of the breach.

Prohibited List of Investments

13. The Borrower shall ensure, or cause the Project Executing Agency and 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 SPS.

Labor Standards, Health and Safety

14. The Borrower shall ensure, or cause the Project Executing Agency and Pourashavas to ensure, that the core labor standards and the Borrower's applicable laws and regulations are complied with during Project implementation. The Borrower, the Project Executing Agency and the Pourashavas shall include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Borrower's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

15. The Borrower shall strictly monitor compliance with the requirements set forth in paragraph 14 above and provide ADB with regular reports.

Gender and Development

16. The Borrower shall ensure, or cause the Project Executing Agency and Pourashavas to ensure, that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

Counterpart Support

17. The Borrower shall ensure that the Project Executing Agency and the Pourashavas have sufficient funds to satisfy their liabilities arising from any Works, Goods or Services contract.

18. The Borrower shall make available the Loan proceeds to the Project Executing Agency and the Pourashavas under appropriate arrangements acceptable to ADB, and ensure:

- (a) sufficient counterpart funds from its budget for each fiscal year, in a timely manner, for the efficient implementation of the Project;
- (b) adequate, efficient and timely disbursement of loan proceeds for the implementation of each Subproject; and
- (c) adequate funds and technical supervision towards operations and maintenance of Project Facilities, through budgetary allocations or other means, to be provided to the Project Executing Agency and the Pourashavas, during and after the completion of each Subproject.

Operation and Maintenance

19. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that throughout the economic life of the Project Facilities, the Project Facilities are operated and maintained in accordance with good development practice.

20. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that all equipment and spare parts financed under the Project are used for the operation and maintenance of the Project Facilities.

21. The Borrower shall make adequate resources available, through budgetary allocations or otherwise, for the purposes of fulfilling its commitments under paragraphs 19 and 20 above.



Financial Management

22. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that the agreed financial management arrangements set forth in the PAM are complied with, and that the financial management action plan set out in the PAM is implemented within the stipulated time frame.

23. The Borrower shall ensure that progress toward achieving the financial management targets set forth in the PAM is monitored and reported to ADB.

Memoranda of Understanding

24. The Borrower shall ensure that the Project Executing Agency enters into a memorandum of understanding, in form and substance acceptable to ADB, with each Pourashava, specifying (a) the amount of the Loan that shall be allocated to that Pourashava; (b) the Subprojects to be carried out by that Pourashava; and (c) the roles and responsibilities of each party in relation to the implementation of the relevant Subproject.



Development Coordination

25. 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 policy reforms that could affect the Project, and shall take into account ADB's views before finalizing and implementing any such proposals.

Communications and Participation

26. The Borrower shall ensure, or cause the Project Executing Agency and the Pourashavas to ensure, that the Project is undertaken in conformity with the Stakeholder Communication Strategy as provided in the PAM.

Governance and Anticorruption

27. The Borrower, the Project Executing Agency, and the 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.

28. The Borrower, the Project Executing Agency, and the 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.



SCHEDULE 5**Pourashavas**

The Pourashavas are the following Pourashavas:

1. Bagerhat Pourashava
2. Bakerganj Pourashava
3. Banari Pourashava
4. Betagi Pourashava
5. Bhedarganj Pourashava
6. Borhanuddin Pourashava
7. Chalna Pourashava
8. Charfashion Pourashava
9. Gournadi Pourashava
10. Jhalakathi Pourashava
11. Kolaroa Pourashava
12. Kuakata Pourashava
13. Lalmohon Pourashava
14. Mehendiganj Pourashava
15. Morelganj Pourashava
16. Muladi Pourashava
17. Nalchiti Pourashava
18. Paikgacha Pourashava
19. Patharghata Pourashava
20. Patuakhali Pourashava
21. Swarupkathi Pourashava
22. Zanjira Pourashava

