
LOAN NUMBER 2554-BAN(SF)

LOAN AGREEMENT
(Special Operations)

(Urban Public and Environmental Health Sector Development Program)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 14 OCTOBER 2009

LPS:BAN 39305

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 14 October 2009 between the PEOPLE'S REPUBLIC OF BANGLADESH ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 24 August 2009 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to develop the Borrower's urban public and environmental health sector ("Program");

(B) the Borrower has applied to ADB for a loan from its Special Funds resources for the purposes of the Program;

(C) the Borrower has also applied to ADB for a loan from its Special Funds resources in connection with the Urban Public and Environmental Health Sector Development Project ("Project") and by an agreement of even date herewith ("Project Loan Agreement"), ADB has agreed to provide a loan to the Borrower from ADB's Special Funds resources in an amount in various currencies equivalent to thirty eight million four hundred eighty two thousand Special Drawing Rights (SDR 38,482,000);

(D) parts of the Program will be carried by the City Corporations (as defined below) upon terms and conditions set forth in the Program Agreement; and

(E) ADB has, on the basis inter alia of the foregoing, agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth and in the Program Agreement of even date herewith between ADB and the City Corporations;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

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

(a) Section 2.01(24) is deleted and the following is substituted therefor:

24. The term "Program" means the program for which ADB has agreed to make the Loan, as described in the Loan Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Borrower.

(b) The term "Project" wherever it appears in the Loan Regulations shall be substituted by the term "Program".

(c) Section 2.01(26) is deleted and the following is substituted therefor:

26. The term "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement.

(d) The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be substituted by the term "Program Executing Agency".

(e) Section 6.05 (c) is deleted and the following is substituted therefor:

(c) Promptly after the closing date for withdrawals from the Loan Account, but in any event not later than three (3) months thereafter or such later date as may be agreed for this purpose between the Borrower and ADB, the Borrower shall prepare and furnish to ADB a report, in such form and in such detail as ADB shall reasonably request, on the execution of the Program, including its cost, the performance by the Borrower of its obligations under this Loan Agreement and the accomplishment of the purposes of the Loan.

Section 1.02. The terms defined in the Loan Regulations are incorporated into this Loan Agreement, unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "CCPIU" means each of the City Corporation Program implementation units, as described in paragraph 8 of Schedule 5 to this Loan Agreement;

(b) "City Corporation" means each of the city corporations of Barisal, Chittagong, Dhaka, Khulna, Rajshahi, and Sylhet (collectively "City Corporations");

(c) "Counterpart Funds" means the Taka proceeds accruing to the Borrower and generated from the Loan proceeds under the Program and referred to in paragraph 12 of Schedule 5 to this Loan Agreement;

(d) "Deposit Account" means the account referred to in paragraph 4 of Schedule 3 to this Loan Agreement;

(e) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to Attachment 1 to Schedule 3 to this Loan Agreement) and services in connection with the delivery and installation of such goods, the foreign exchange costs of which are eligible for financing out of the proceeds of the Loan;

(f) "First Tranche" means the portion of the proceeds of the Loan in an amount not exceeding the equivalent of SDR 19,241,000 to be withdrawn pursuant to and subject to the provisions of paragraph 5 of Schedule 3 to this Loan Agreement;

(g) "LGD" means the Local Government Division under MOLGRDC;

(h) "MOE" means the Ministry of Establishment of the Borrower;

(i) "MOEF" means the Ministry of Environment and Forest of the Borrower;

(j) "MOF" means the Ministry of Finance of the Borrower;

(k) "MOLGRDC" means the Ministry of Local Government, Rural Development and Cooperatives of the Borrower;

(l) "NPSC" means the national program steering committee to be established by the Borrower, as described in paragraph 5 of Schedule 5 to this Loan Agreement;

(m) "NUPEHC" means the national urban public and environmental health committee to be established by the Borrower, as described in paragraph 6 of Schedule 5 to this Loan Agreement;

(n) "Policy Matrix" means the policy matrix as agreed between the Borrower and ADB and attached to the Policy Letter;

(o) "Pourashavas" means secondary level towns in the territory of the Borrower;

(p) "Program Agreement" means the agreement of even date between ADB and the City Corporations for implementation of the Program;

(q) "Program Director" means the person described in paragraph 3 of Schedule 5 to this Loan Agreement;

(r) "Program Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, each of MOF acting through its Finance Division, and MOLGRDC acting through LGD, or any respective successor thereto acceptable to ADB, which is responsible for the carrying out of the Program;

(s) "Program facilities" means facilities provided or to be provided under the Program;

(t) "Project Agreement" means the agreement of even date between ADB and the City Corporations for implementation of the Project;

(u) "Second Tranche" means the portion of the proceeds of the Loan in an amount not exceeding the equivalent of SDR 12,827,000 after the utilization of the First

Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 6 of Schedule 3 to this Loan Agreement;

(v) "Taka" means the currency of the Borrower;

(w) "Third Tranche" means the balance of the proceeds of the Loan remaining in the Loan Account after the utilization of the First Tranche and the Second Tranche, to be withdrawn pursuant to and subject to the provisions of paragraph 7 of Schedule 3 to this Loan Agreement;

(x) "UPEH" means urban public and environmental health; and

(y) "UPEHU" means the urban public and environmental health unit to be established under LGD by the Borrower as described in paragraphs 2 to 4 of Schedule 5 to this Loan Agreement.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to forty four million eight hundred ninety five thousand Special Drawing Rights (SDR 44,895,000).

Section 2.02 (a) The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 June and 15 December 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 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. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan may be withdrawn from the Loan Account only for the purposes of financing foreign currency expenditures incurred for Eligible Items under the Program 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, all Eligible Items to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account shall be made only on account of expenditures relating to Eligible Items which:

- (a) are produced in, and are supplied from, such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2017 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 Program and operation of the Program 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 maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Loan and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. (a) As part of the reports and information referred to in Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

(b) Without limiting the generality of the foregoing or Section 6.05 of the Loan Regulations, the Borrower shall furnish, or cause to be furnished, to ADB quarterly reports on the carrying out of the Program and on the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Suspension; Cancellation; 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 Borrower shall have, in the opinion of ADB, failed to perform any of its obligations under the Project Loan Agreement.

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

(a) LGD shall have established the UPEHU, and appointed the Program Director;

(b) LGD shall have established the NUPEHC;

(c) the Program Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, each of the City Corporations;

(d) the Project Loan Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, the Borrower, and all conditions precedent to its effectiveness, other than a condition requiring effectiveness of this Loan Agreement, shall have been fulfilled; and

(e) the Project Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, each of the City Corporations.

Section 6.02. The following are specified as additional matters, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB:

(a) the Program Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, each of the City Corporations, and is legally binding upon each of the City Corporations in accordance with its terms;

(b) the Project Loan Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with its terms; and

(c) the Project Agreement shall have been duly authorized or ratified by, executed and delivered on behalf, of each of the City Corporations, and is legally binding upon each of the City Corporations in accordance with its terms.

Section 6.03. 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 9.04 of the Loan Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. Each of the Secretary, Additional Secretary, Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary, and Assistant Chief of the Economic Relations Division, Ministry of Finance of the Borrower 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 2 811 3088

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

632 636 2444
632 636 2293.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF
BANGLADESH



By _____
M MUSHARRAF HOSSAIN BHUIYAN
Secretary
Economic Relations Division
Ministry of Finance

ASIAN DEVELOPMENT BANK



By _____
MD. NURUL HUDA
Officer-in-Charge
Bangladesh Resident Mission

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program is to achieve sustainable provision and operation of the improved public and environmental health services in the urban areas including the 6 city corporations of Barisal, Chittagong, Dhaka, Khulna, Rajshahi, and Sylhet, and the Pourashavas by (i) strengthening institutional arrangements; (ii) improving financial sustainability; (iii) improving public and environmental health service delivery; and (iv) strengthening governance and management. The Program is described in more detail in the Policy Letter and the Policy Matrix. The Program will be implemented during the period December 2009 to December 2016.

2. In support of the Program:

(a) the proceeds of the Loan shall be used to finance the foreign exchange costs of Eligible Items; and

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 12 of Schedule 5 to this Loan Agreement.

3. The proceeds of the Loan are expected to be utilized by 31 December 2016.

SCHEDULE 2**Amortization Schedule****(Urban Public and Environmental Health Sector Development Program)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15-Dec-2017	1,402,969
15-Jun-2018	1,402,969
15-Dec-2018	1,402,969
15-Jun-2019	1,402,969
15-Dec-2019	1,402,969
15-Jun-2020	1,402,969
15-Dec-2020	1,402,969
15-Jun-2021	1,402,969
15-Dec-2021	1,402,969
15-Jun-2022	1,402,969
15-Dec-2022	1,402,969
15-Jun-2023	1,402,969
15-Dec-2023	1,402,969
15-Jun-2024	1,402,969
15-Dec-2024	1,402,969
15-Jun-2025	1,402,969
15-Dec-2025	1,402,969
15-Jun-2026	1,402,969
15-Dec-2026	1,402,969
15-Jun-2027	1,402,969
15-Dec-2027	1,402,969
15-Jun-2028	1,402,969
15-Dec-2028	1,402,969
15-Jun-2029	1,402,969
15-Dec-2029	1,402,969
15-Jun-2030	1,402,969
15-Dec-2030	1,402,969
15-Jun-2031	1,402,969
15-Dec-2031	1,402,969
15-Jun-2032	1,402,969
15-Dec-2032	1,402,969
15-Jun-2033	1,402,961
Total	44,895,000

*The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Withdrawal of Loan Proceeds**

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Loan proceeds from the Loan Account.

2. (a) Withdrawals from the Loan Account shall be made for the financing of the cost of Eligible Items.

(b) No withdrawals from the Loan Account shall be made in respect of any expenditures which have been financed by credits from official international or bilateral aid agencies or any other loans made by ADB.

3. (a) An application for withdrawal from the Loan Account shall be submitted to ADB by the Borrower and shall be in a form satisfactory to ADB.

(b) Such withdrawal applications shall be accompanied by a certificate of the Borrower confirming that with respect to each year during which the proceeds of the Loan are expected to be disbursed, the value of the Eligible Imports is expected to be equal to or greater than the amount of the Loan expected to be disbursed during such year.

(c) For the purposes of this paragraph, the term "Eligible Imports" means the total imports of the Borrower during the relevant period minus the following imports during the same period:

- (i) imports from countries which are not members of ADB;
- (ii) imports for ineligible items specified in Attachment 1 to this Schedule; and
- (iii) imports financed from credits from official international or bilateral aid agencies or any other loans made by ADB.

(d) The Borrower shall allow experts appointed by ADB to verify the value of Eligible Imports during any period in respect of which the Borrower has certified the value of Eligible Imports in its withdrawal application.

4. (a) Prior to submitting the first application to ADB for withdrawal from the Loan Account, the Borrower shall nominate an account (the Deposit Account) at Bangladesh Bank into which all withdrawals from the Loan Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in

Schedule 3

accordance with appropriate auditing standards. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

(c) Throughout the Program implementation period, the Borrower shall submit trade statistics and any other information as ADB may require from time to time to assess the Borrower's compliance with the formula for determining Eligible Imports.

5. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the First Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the conditions for the release of the First Tranche specified in Attachment 2 to this Schedule.

6. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Second Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the conditions for the release of the Second Tranche specified in Attachment 3 to this Schedule.

7. Notwithstanding any other provisions of this Loan Agreement or the Loan Regulations and except as ADB may otherwise agree, no withdrawals shall be made from the Third Tranche unless ADB shall be satisfied, after consultation with the Borrower, that (a) sufficient progress has been achieved by the Borrower in the carrying out of the Program; and, in particular, (b) the Borrower has fulfilled the conditions for the release of the Third Tranche specified in Attachment 4 to this Schedule.

Negative List

1. Loan proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods required during the Urban Public and Environmental Health Sector Development Program.

2. No withdrawals will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Borrower:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and

- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Conditions for Release of the First Tranche**A. Strengthen Institutional Arrangements**

1. Establish Program support unit for UPEH in LGD: LGD shall have established the UPEHU under the Program.
2. Improve inter-ministerial coordination mechanism of UPEH: LGD shall have established the NUPEHC.

B. Improve Financial Sustainability

3. Improve municipal finances:
 - (i) LGD shall have instructed the City Corporations to accelerate collection of outstanding holding taxes (property, street lighting, and conservancy); and
 - (ii) LGD shall have constituted a technical working group on strengthening municipal finances and private sector participation.
4. Introduce performance-based targeted grant mechanism: LGD shall have constituted a technical working group on performance-based targeted grant mechanisms for the City Corporations and the Pourashavas.

C. Improve Urban Public and Environmental Health Service Delivery

5. Strengthen solid waste management: MOEF, in coordination with LGD, shall have constituted a technical working group for strengthening solid waste management.
6. Strengthen medical waste management: MOEF shall have adopted the Medical Waste (Management and Processing) Rules under the Bangladesh Environment Conservation Act, 1995 (Act. No. I of 1995).
7. Strengthen food and water safety: LGD shall have constituted a technical working group for food safety and municipal by-laws relating to UPEH.
8. Strengthen primary health care:
 - (i) LGD shall have issued orders establishing non-lapsable urban primary health care sustainability fund for all City Corporations, and
 - (ii) the City Corporations shall have opened urban primary health care sustainability fund bank accounts.

D. Strengthen Governance and Management

9. Enable private sector participation in UPEH: LGD shall have included the mandate for developing guidelines for private sector participation in UPEH in the terms of reference of the technical working group established under paragraph 3(ii) of this Attachment 2 to Schedule 3.

10. Enable citizen's participation in delivery of UPEH: LGD shall have constituted a technical working group on pro-poor and gender-responsive targeting and citizen's participation in the delivery of UPEH services by the City Corporations.

Conditions for Release of the Second Tranche

The conditions to be fulfilled by the Borrower for the release of the Second Tranche are, maintaining the conditions satisfied under the First Tranche and fulfilling, satisfactory to ADB, the conditions set out below.

A. Strengthen Institutional Arrangements

1. Establish Program support unit for UPEH in LGD: LGD shall have submitted a proposal to MOE and MOF to transfer core civil servant positions (1 Program Director, 3 deputy Program directors, and 5 assistant directors) of UPEHU from the development budget to the revenue budget.
2. Improve inter-ministerial coordination mechanism of UPEH: NUPEHC shall have met at least once a year.

B. Improve Financial Sustainability

3. Improve municipal finances: At least 2 out of the 6 City Corporations shall have collected at least 25% arrears of the holding taxes (property, street lighting, and conservancy) as at the end of the financial year 2008.
4. Introduce performance-based targeted grant mechanism: The technical working group shall have submitted to LGD its recommendations on performance-based targeted grant mechanism.

C. Improve Urban Public and Environmental Health Service Delivery

5. Strengthen solid waste management: MOEF, in coordination with LGD, shall have issued the National Waste Reduce, Reuse, and Recycle (3R) Strategy.
6. Strengthen medical waste management: LGD, in coordination with MOEF, shall have issued instructions to the City Corporations for implementation of the Medical Waste (Management and Processing) Rules.
7. Strengthen food and water safety: LGD shall have issued guidelines in accordance with the provisions of the Animal Slaughter (Restriction) and Meat Control Act, 1957 (Act No. VIII of 1957) for sanitary slaughter of animals, among others, incorporating measures for the handling, recycling, treating, and disposing of slaughterhouse wastes (liquid and solid).
8. Strengthen primary health care: At least 2 out of the 6 City Corporations shall have deposited money equivalent to 1% of their respective financial year 2009 annual revenue income into the urban primary health care sustainability fund.

D. Strengthen Governance and Management

9. Enable private sector participation in UPEH: LGD shall have issued guidelines to the City Corporations for private sector participation in UPEH.

10. Enable citizen's participation in delivery of UPEH: LGD shall have issued guidelines on strengthening citizen's participation in UPEH that is gender-responsive.

Conditions for Release of the Third Tranche

The conditions to be fulfilled by the Borrower for the release of the Third Tranche are, maintaining the conditions satisfied under the First Tranche and the Second Tranche and fulfilling, satisfactory to ADB, the conditions set out below.

A. Strengthen Institutional Arrangements

1. Establish Program support unit for UPEH in LGD: MOE with the concurrence of MOF shall have issued orders for transferring core civil servant positions of UPEHU from the development budget to the revenue budget to be effective from financial year 2017.
2. Improve inter-ministerial coordination mechanism of UPEH: NUPEHC shall have met at least once a year.

B. Improve Financial Sustainability

3. Improve municipal finances: All 6 City Corporations shall have collected at least 25% arrears of the holding taxes (property, street lighting, and conservancy), as at the end of the financial year 2009.
4. Introduce performance-based targeted grant mechanism: Upon approval by MOF, LGD shall have released performance-based grants for the City Corporations and the Pourashavas for UPEH.

C. Improve Urban Public and Environmental Health Service Delivery

5. Strengthen solid waste management: All City Corporations shall have prepared action plans in accordance with the National Waste Reduce, Reuse, and Recycle (3R) Strategy.
6. Strengthen medical waste management: All City Corporations shall have prepared medical waste management action plans in accordance with LGD's instructions.
7. Strengthen food and water safety: At least 1 City Corporation shall have issued civil works contracts for construction of sanitary slaughter houses in accordance with LGD's guidelines.
8. Strengthen primary health care: All City Corporations shall have deposited money equivalent to 1% of their 2009 annual revenue income into the urban primary health care sustainability fund.

D. Strengthen Governance and Management

9. Enable private sector participation in UPEH: At least 50% of all the City Corporations shall have adopted private sector participation for any one of the aspects of UPEH.
10. Enable citizen's participation in delivery of UPEH: All City Corporations shall have adopted guidelines on strengthening citizen's participation in UPEH that is gender-responsive.

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items (other than consulting services) to be financed out of the proceeds of the Loan.

2. (a) Except as provided in subparagraph (b) of this paragraph, each contract for Eligible Items shall be awarded on the basis of either the purchaser's normal commercial procurement practices, in the case of procurement by the private sector, or the Borrower's prescribed procurement procedures, in the case of procurement by the public sector, having due regard for the principles of economy and efficiency.

(b) Each supply contract for Eligible Items which are commonly traded commodities shall be awarded on the basis of procedures appropriate to the trade and acceptable to ADB.

SCHEDULE 5

Program Implementation and Other Matters

Implementation Arrangements

1. MOF acting through its Finance Division, and MOLGRDC acting through LGD, in their capacity as the Program Executing Agencies, shall be jointly responsible for overall execution, coordination, and supervision of the Program.
2. LGD shall establish the UPEHU for day-to-day implementation of the Program. UPEHU shall be responsible for, among others, (i) detailed Program planning and scheduling; (ii) supporting CCPIUs in the procurement of goods and works; (iii) recruiting and supervising international and national consultants and training; (iv) Program accounting, including arranging for necessary audits; (v) submitting withdrawal applications and disbursing funds; (vi) managing the imprest accounts under the Project; (vii) reporting to ADB on Program progress; and (viii) providing the secretariat for NPSC.
3. UPEHU shall be headed by the Program Director, who shall be an officer of a rank of at least a joint secretary of the Government of Bangladesh, and shall be appointed under intimation to ADB. UPEHU shall comprise core officers deputed from the Bangladesh Civil Service and ministries or departments that are concerned with public and environmental health in the urban areas. Specifically, UPEHU shall include 3 deputy Program directors of the rank of deputy secretary of the Government of Bangladesh, who shall be deputed preferably from:
 - (i) the Bangladesh Civil Service (Administration cadre), for Program implementation;
 - (ii) the Bangladesh Civil Service (Audit and Accounts cadre), for financial management and municipal finance; and
 - (iii) the Bangladesh Civil Service (Economic cadre), for policy reform and capacity development.
4. UPEHU shall also comprise additional technical-policy personnel who will be seconded from ministries, including MOEF, Ministry of Health and Family Welfare, Ministry of Food and Disaster Management, and other ministries, as appropriate, or hired externally.
5. LGD shall establish the NPSC, chaired by the secretary, LGD, to guide the implementation of the Program, resolve impediments, review and approve budgets, and coordinate the policies and programs concerning UPEH. NPSC shall comprise representatives from relevant ministries and urban local bodies. NPSC shall meet at least 3 times a year in the first 2 years of the Program implementation, and twice a year in the subsequent years.
6. LGD shall also establish the NUPEHC, chaired by the Minister, MOLGRDC, and shall include representatives from MOE, MOEF, MOF, Ministry of Health and Family Welfare, Ministry of Food and Disaster Management, Ministry of Fisheries and Livestock, Ministry of Law, Justice and Parliamentary Affairs, Ministry of Industry, Ministry of Women and Children Affairs, Implementation Monitoring and Evaluation Division, Planning

Schedule 5

Commission, mayors of the City Corporations, non-government organizations, and private sector involved in public and environmental health. LGD shall ensure that NUPEHC meets at least once a year to provide overall stewardship and guidance to the Program and also enable strong inter-ministerial coordination and greater involvement of the mayors of the City Corporations in the Program.

7. Each City Corporation shall establish (i) a city UPEH coordination committee, chaired by the mayor; and (ii) a ward UPEH coordination committee, chaired by local ward commissioners/councilors and co-chaired by zonal health or conservancy officers (where available) and female ward commissioners/councilors, with membership from all local stakeholders, including informal settlers.

8. Each City Corporation shall also establish a CCPIU, headed by the chief executive officer of the City Corporation, who shall be the Program manager. The Program manager shall be assisted by a City Corporation health officer and a City Corporation conservancy officer, who shall be the deputy Program managers. Each CCPIU shall also have a Program officer, who shall be supported by personnel recruited by UPEHU and assigned to CCPIU including a conservancy officer, a food safety officer, a procurement specialist, an accountant, a safeguard and community mobilization officer, an information technology officer and an assistant civil engineer. Each City Corporation shall also assign technical personnel from the consultant teams to work with CCPIU staff to help implement subprojects and to transfer implementation capabilities to the CCPIU.

Policy Letter and Policy Matrix

9. The Borrower shall (i) ensure that the policies and actions taken, as described in the Policy Letter and the Policy Matrix prior to the date of this Loan Agreement, shall continue in effect during the Program period and subsequently; (ii) promptly adopt all other policies and take all other actions indicated in the Policy Letter and the Policy Matrix, and ensure that such policies and actions continue in effect during and after the Program period; and (iii) make submissions to ADB on the completion of actions under the Policy Matrix by reference to the indicators set out in the Policy Matrix.

Policy Dialogue

10. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, the progress made in carrying out the policies and actions set out in the Policy Letter and the Policy Matrix. The Borrower shall continue timely policy dialogue with ADB on problems and constraints encountered during implementation of the Program and on desirable changes to overcome or mitigate such problems and constraints.

11. The Borrower shall keep ADB informed of policy discussions with other international and bilateral agencies that may have implications for the implementation of the Program and shall provide ADB with the opportunity to comment on any resulting proposals. The Borrower shall take ADB's views into consideration before finalizing and implementing any such proposals.

Counterpart Funds

12. The Borrower shall ensure that the Counterpart Funds are used for meeting Program expenditures, and to support sector reform and cost of adjustment linked to reform measures under the Program.

Anticorruption

13. Consistent with its commitment to good governance, accountability, and transparency, ADB reserves the right to investigate, directly or through its agents, any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Program.

14. Within 9 months of the Effective Date, LGD shall cause UPEHU to establish a web site to disclose information about the Program and various matters relating to Project implementation as set out in paragraph 15 of Schedule 5 to the Project Loan Agreement.

Monitoring

15. Within 12 months of the Effective Date, LGD, through UPEHU, shall establish and maintain a Program performance monitoring and evaluation system, which shall include a data base on the status of policy measures and Program indicators based on the Policy Matrix and the design and monitoring framework for the Program. Thereafter, LGD, through UPEHU, shall (i) monitor the implementation of the Program and its impacts; (ii) submit to ADB quarterly and annual reports on the implementation of the Program, including accomplishment of the policy and institutional reforms set forth in the Policy Letter and the Policy Matrix; and (iii) submit to ADB a Program completion report within 3 months of end of the Program period.

Review

16. The Borrower and ADB shall review the implementation of the Program every 6 months and at the end of the Program. The Borrower and ADB shall also undertake a mid-term review before the release of the Third Tranche to identify problems and constraints encountered during the first half of the Program and to adjust the design and the Program framework or take remedial actions as required.