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LOAN NUMBER 2542-BAN(SF)

LOAN AGREEMENT  
(Special Operations)

(Participatory Small-Scale Water Resources Sector Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 10 SEPTEMBER 2009

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LAS:BAN 39432

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 10 September 2009 between PEOPLE'S REPUBLIC OF BANGLADESH (the "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) the Borrower has also applied to IFAD (as defined in Section 1.02(m) of this Loan Agreement) for a loan in an amount equivalent to twenty two million dollars (\$22,000,000) for the purposes of financing a portion of the Project; and

(C) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

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

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

- (a) "ACE" means the additional chief engineer at the IWRMU;
- (b) "CAD" means command area development;
- (c) "Consulting Guidelines" means "Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers" (2007, as amended from time to time);
- (d) "DAE" means the Department of Agricultural Extension under the Borrower's Ministry of Agriculture, and any successor thereto;
- (e) "DOC" means the Department of Cooperatives, under the Borrower's MOLGRD&C, and any successor thereto;

(f) "DOF" means the Department of Fisheries under the Borrower's Ministry of Fisheries and Livestock, and any successor thereto;

(g) "EARP" means environmental assessment and review procedures;

(h) "EE" means executive engineer;

(i) "ERD" means the Economic Relations Division under the Borrower's MOF, and any successor thereto;

(j) "Existing Project MIS Database" means the project MIS database developed under SSW-2;

(k) "Goods" means equipment and materials to be financed out of the proceeds of the Loan; and including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance, but excluding consulting services;

(l) "IEE" means the initial environmental examination prepared and approved by the Borrower on 29 October 2008 for the three sample subprojects, and the initial environmental examination that will be prepared and approved by the Borrower for other subprojects during the Project implementation;

(m) "IFAD" means the International Fund for Agricultural Development;

(n) "IFAD Loan" means the loan in the amount of \$22,000,000 to be provided by IFAD to finance a portion of the Project;

(o) "IMED" means the Implementation Monitoring and Evaluation Division under the Ministry of Planning of the Borrower, and any successor thereto;

(p) "IPDF" means the indigenous peoples development framework prepared for the Project by the Borrower, and agreed by ADB;

(q) "IWRM" means integrated water resources management;

(r) "IWRMU" means the Integrated Water Resources Management Unit under the Borrower's LGED, and any successor thereto;

(s) "LGD" means the Local Government Division under the Borrower's MOLGRD&C, and any successor thereto;

(t) "LGED" means the Local Government Engineering Department under the Borrower's MOLGRD&C, and any successor thereto;

(u) "LGED Regional Office" means any one of the ten LGED Regional Offices;

(v) "MIS" means management information system;

- (w) "M&E" means monitoring and evaluation;
- (x) "MOF" means the Borrower's Ministry of Finance, and any successor thereto;
- (y) "MOLGRD&C" means the Borrower's Ministry of Local Government, Rural Development and Cooperatives, and any successor thereto;
- (z) "MOWR" means the Borrower's Ministry of Water Resources, and any successor thereto;
- (aa) "NGOs" means non-governmental organizations;
- (bb) "O&M" means operation and maintenance;
- (cc) "Parishad" means community council at Upazila and Union level;
- (dd) "PD" means project director;
- (ee) "PMO" means the Project Management Office established within IWRMU, as described in paragraph 3 of Schedule 5 to this Loan Agreement;
- (ff) "PPMS" means project performance monitoring system;
- (gg) "Procurement Guidelines" means the ADB's "Procurement Guidelines" (2007, as amended from time to time);
- (hh) "Procurement Plan" means the procurement plan for the Project dated 4 August 2009 and agreed between the Borrower and ADB, as updated from time to time in accordance with Procurement Guidelines, Consulting Guidelines, and other arrangements agreed with ADB;
- (ii) "Project Area" means 46 districts for new subprojects and 61 districts for improvement of existing SSW-1 and SSW-2 subprojects, within the territory of the Borrower, as agreed between the Borrower and ADB;
- (jj) "Project Executing Agency" or "EA" for the purposes, and within the meaning, of the Loan Regulations means LGED, or any successor thereto acceptable to ADB, which is responsible for overall Project implementation;
- (kk) "Project facilities" means the facilities, equipment and vehicles provided under the Project;
- (ll) "PSC" means the Project Steering Committee established by the Borrower, as described in paragraph 2 of Schedule 5 to this Loan Agreement;
- (mm) "Resettlement Framework" or "RF" means the resettlement framework prepared for the Project by the Borrower, and approved by ADB;

(nn) "Resettlement Plan" or "RP" means the resettlement plan to be prepared for subprojects involving land acquisition or resettlement by the Borrower; and approved by ADB;

(oo) "SE" means superintending engineer;

(pp) "SPFR means subproject feasibility report;

(qq) "SSW-1" means the ADB Loan Nr. 1381- BAN, on the Small-Scale Water Resources Development Sector Project;

(rr) "SSW-2" means the ADB Loan Nr. 1831-BAN, on the Second Small-Scale Water Resources Development Sector Project;

(ss) "SSWR" means sustainable small-scale water resources;

(tt) "Subproject" means a subproject that meets the eligibility criteria set out in paragraph 8 of Schedule 5 to this Loan Agreement and included or to be included under the Project;

(uu) "TA-6325" means the ADB Regional TA Nr.: 6325 on Promoting Effective Water Management Policies and Practices;

(vv) "Union" means the lowest level of district administration;

(ww) "Upazila" means administrative unit, which is a subdivision of a district formerly known as "thana";

(xx) "WMA" means water management association;

(yy) "WMCA" means water management cooperative association; and

(zz) "Works" means construction or civil works to be financed out of the proceeds of the Loan, and including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract, but excluding consulting services.

## **ARTICLE II**

### **The Loan**

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to thirty five million four hundred sixty thousand Special Drawing Rights (SDR35,460,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (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 February and 15 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal 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 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 Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The Goods, Works, and consulting services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such Goods, Works, and consulting services and other items of expenditure shall be 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 Goods, Works, and consulting services 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 in respect of Goods, Works, and consulting services shall be made only on account of expenditures relating to

- (a) Goods which are produced in and supplied from and consulting services which 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) Goods, Works, and consulting services which 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 2018 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

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

Section 4.02. (a) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

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

## **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 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the IFAD 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: any of the events specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: LGED shall have approved and adopted the revised O&M strategy for small-scale water resources subprojects, which has been prepared under the ADB TA - 6325.

Section 6.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## **ARTICLE VII**

### **Miscellaneous**

Section 7.01. The Secretary of ERD 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) 636-2391.

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  
Authorized Representative

ASIAN DEVELOPMENT BANK

By 

PAUL J. HEYTENS  
Country Director  
Bangladesh Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to achieve SSWR management systems within the Project Area, by financing subproject investments in the small-scale water resources sector, including Subprojects for flood management, drainage improvement, water conservation, and command area development including surface water irrigation.

2. The Project consists of the following parts:

#### **Part A: Institutional Strengthening**

Under this Part A, the Project will provide training to LGED, IWRMU, DOC staff and staff of other institutions involved in the small-scale water resources sector.

##### (a) Capacity Enhancement of Local Government Engineering Department

- (i) provide training to IWRMU staff on planning and design, O&M, social and gender development, and social and environment;
- (ii) support the decentralization of M&E and O&M from LGED to LGED Regional Offices and create revenue budget positions for Senior Sociologist and Assistant Engineer (Water Resources) in 10 LGED Regional Offices; and
- (iii) provide training to LGED regional, district and upazila offices staff on technical, social, financial and environmental dimensions of small-scale water resources development.

##### (b) Institutional Strengthening of Department of Cooperatives

- (i) establish a dedicated water cell within DOC;
- (ii) prepare and provide training program and materials for trainers and WMCA staff;
- (iii) provide training to DOC and LGED field staff on the provision of statutory, regulatory and promotional services; and
- (iv) provide support to DOC district level offices to improve outreach.

##### (c) Improved Performance Monitoring

- (i) streamline and improve the existing Project MIS Database; and
- (ii) expand the existing project MIS database to allow access and the sharing of information among the key partner line departments, including, but not limited to, DAE, DOF and DOC.

**Part B: Participatory Subproject Development**

- (a) Water Resources Oriented Support Programs
- (i) provide agricultural extension services to promote rapid adoption of improved and environmentally sound agricultural practices, including:
    - (a.i) integrated pest management;
    - (a.ii) expanding production of high yielding variety rice crops; and
    - (a.iii) crop diversification.
  - (ii) provide fisheries extension services and training to stakeholders in managing fisheries resources.
- (b) Operation and Maintenance Capacity Building of Water Management Cooperative Associations
- Provision of training to WMCAs in about 150 better performing subprojects financed under SSW-1 and SSW-2, in (i) O&M planning, (ii) technical and financial management skills, and (iii) operation and maintenance cost recovery from subprojects beneficiaries.
- (c) Participation of Women in Subproject Development
- (i) provide training to WMCAs staff in women's roles in income generating activities and livelihood enhancement;
  - (ii) give priority employment to women to undertake earthworks subprojects; and
  - (iii) provide microfinance opportunities.

**Part C: Small-Scale Water Resources Infrastructure and Project Implementation Support**

- (a) construction, rehabilitation, development and/or improvement of about 230 small-scale water resources subprojects, including flood management, drainage improvement, water conservation and command area development; and
  - (b) improvements of about 150 better performing subprojects financed under SSW-1 and SSW-2.
3. The Project is expected to be completed by 31 December 2017.

## SCHEDULE 2

### Amortization Schedule (Participatory Small-Scale Water Resources Sector Project)

<u>Payment Due Date</u>	<u>Payment of Principal</u> (expressed in SDR)*
15 February 2018	738,750
15 August 2018	738,750
15 February 2019	738,750
15 August 2019	738,750
15 February 2020	738,750
15 August 2020	738,750
15 February 2021	738,750
15 August 2021	738,750
15 February 2022	738,750
15 August 2022	738,750
15 February 2023	738,750
15 August 2023	738,750
15 February 2024	738,750
15 August 2024	738,750
15 February 2025	738,750
15 August 2025	738,750
15 February 2026	738,750
15 August 2026	738,750
15 February 2027	738,750
15 August 2027	738,750
15 February 2028	738,750
15 August 2028	738,750
15 February 2029	738,750
15 August 2029	738,750
15 February 2030	738,750
15 August 2030	738,750
15 February 2031	738,750
15 August 2031	738,750
15 February 2032	738,750
15- August 2032	738,750
15 February 2033	738,750
15 August 2033	738,750
15 February 2034	738,750
15 August 2034	738,750
15 February 2035	738,750
15 August 2035	738,750
15 February 2036	738,750
15 August 2036	738,750
15 February 2037	738,750
15 August 2037	738,750

Schedule 2

<u>Payment Due Date</u>	<u>Payment of Principal</u> (expressed in SDR)
15 February 2038	738,750
15 August 2038	738,750
15 February 2039	738,750
15 August 2039	738,750
15 February 2040	738,750
15 August 2040	738,750
15 February 2041	738,750
15 August 2041	<u>738,750</u>
TOTAL	35,460,000

### SCHEDULE 3

#### Allocation and Withdrawal of Loan Proceeds

##### Interest Charge

1. ADB shall be entitled to withdraw from the Loan Account and pay to itself, on behalf of the Borrower, the amounts required to meet payments, when due, of such interest charge on the loan during implementation period.

##### Disbursement Procedures

2. Except as ADB may otherwise agree, the Loan proceeds for financing Goods, Works, and consulting services and other items shall be disbursed in accordance with ADB's "Loan Disbursement Handbook" dated January 2007 (ADB's Loan Disbursement Handbook), as amended from time to time.

##### Imprest Accounts; Statement of Expenditures

3. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at Bangladesh Bank. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. The currency of the imprest account shall be Dollar. The imprest accounts ceiling shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest account for the first six months of Project implementation, or (ii) the equivalent of ten (10) percent of the Loan amount.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest accounts, in accordance with ADB's Loan Disbursement Handbook and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed \$100,000.

##### Condition of Withdrawals from Loan Account

4. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account until the Borrower has established the PMO in accordance with paragraph 3 of Schedule 5 to this Loan Agreement.

## SCHEDULE 4

### Procurement of Goods and Works, and Consulting Services

#### A. General

1. All Goods, Works and consulting services to be financed out of the proceeds of the Loan shall be subject to and governed by the Procurement Guidelines, and the Consulting Guidelines, respectively.
2. All terms used and not otherwise defined in this Loan Agreement have the meanings provided in the Procurement Guidelines and/or the Consulting Guidelines, as applicable.

#### B. Procurement for Goods and Works

3. Except as ADB may otherwise agree, Goods and Works shall only be procured on the basis of the methods of procurement set forth below:

International Competitive Bidding
National Competitive Bidding
Shopping
Direct Contracting

The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

4. Domestic Preference. The Borrower may grant a margin of preference in the evaluation of bids under international competitive bidding in accordance with paragraphs 2.55(a) and 2.56 of the Procurement Guidelines for domestically manufactured Goods and paragraphs 2.55(b) and 2.56 of the Procurement Guidelines for domestic Works.
5. National Competitive Bidding. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after written approval of such change by the Borrower and ADB.

#### C. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, and except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

7. The Borrower shall apply the following methods for selecting and engaging the specified consulting services, in accordance with, among other things, the procedures set forth in the Procurement Plan:

Least-Cost Selection for participatory rural appraisal (PRA); benefit monitoring evaluation study and baseline impact evaluation.

8. The Borrower shall recruit the individual consultants for community assistants, water resources advisor, benefit monitoring and evaluation study and third party evaluation, in accordance with procedures acceptable to ADB for recruiting individual consultants.

**D. Industrial or Intellectual Property Rights**

9. (a) The Borrower shall ensure that all Goods and Works procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all contracts for the procurement of Goods and Works contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

10. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

**E. ADB's Review of Procurement Decisions**

11. All contracts procured under international competitive bidding procedures and contracts for consulting services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project and Operation of Project Facilities; Financial Matters

#### Project Management

##### Central Level

##### Project Executing Agency

1. LGED shall be the EA and shall have the overall responsibility for implementing the Project.

##### Project Steering Committee

2. A PSC has been established by MOLGRD&C and shall be responsible for overall Project coordination. In particular, the PSC shall (i) provide guidance on policy and strategic direction; (ii) review and evaluate project performance; (iii) resolve any issues affecting the implementation of the Project, as needed; and (iv) facilitate inter-agency coordination. The PSC shall be chaired by Secretary of LGD and the Chief Engineer of LGED shall act as the member-secretary. PSC shall comprise of representatives from the Ministry of Establishment, Ministry of Agriculture, Ministry of Water Resources, Ministry of Land, Ministry of Youth and Sports, Ministry of Environment and Forests, Ministry of Fisheries and Livestock, ERD, Finance Division under MOF, Planning Commission and IMED, Bangladesh Water Development Board, DAE, Water Resources Planning Organization, DOF, Department of Women's Affairs, DOC, Bangladesh Agriculture Development Corporation and LGED. The PSC shall meet as and when required, but at least once every year.

##### Project Management Office

3. A PMO shall be established within IWRMU to manage and coordinate the Project activities. The PMO shall be headed by a PD, who shall be appointed from one of the full-time senior EE and shall be assisted by eight dedicated staff. The PD shall report directly to, and work under the supervision and guidance of ACE. The PMO shall (i) coordinate with partner agencies; (ii) prepare Project implementation plan and annual Project work plans and budgets; (iii) review and approve subproject appraisals; (iv) review and approve subproject designs; (v) supervise LGED district offices in the bidding process, civil works, and other project activities; (vi) maintain financial accounts; (vii) prepare periodic consolidated reports on subprojects' implementation progress; and (viii) monitor Project progress and evaluate environmental and social impacts. The PMO shall receive support from the four specialist sections of the IWRMU and the Project implementation consultants.

##### Regional Level

##### LGED Regional Offices

4. LGED Regional Offices shall act as intermediary between the central and district level. Each LGED Regional Office is headed by an SE assisted by an Executive Engineer for training, Assistant Engineer, Assistant Engineer for Water Resources and Senior Sociologist.

The SE will report directly to ACE. The Regional Offices shall provide supervision, inspection and monitoring functions for completed subprojects and shall be responsible for the regional training centres for technical training of EEs, LCSs and WMCAs. Project activities within a region shall be coordinated by the PMO and the relevant LGED Regional Office.

#### District Level

##### LGED District and Upazila Offices

5. LGED District and Upazila Offices shall be responsible for implementing the Project at district or upazila level. Under close guidance and supervision of the PMO, LGED district offices shall be responsible for the implementation at the subproject level with assistance from the LGED upazila offices. The LGED district EE shall act as subproject manager. The LGED district offices shall (i) prepare individual subproject implementation plans in consultation with local stakeholders; (ii) coordinate with other agencies, NGOs, firms, and institutes concerned; (iii) support local stakeholders to organize into WMCAs with support from NGOs facilitators and sociologists from the LGED; (iv) carry out field surveys with necessary assistance from PMO (v) supervise construction activities and make payments to contractors; and (vi) monitor and report subproject development to the PMO. The Upazila engineer will (i) support WMCA in preparation of annual plans; (ii) monitor subproject performance and (iii) convey major maintenance needs to the LGED district level. The Upazila engineer will report to the LGED district EE, who in turn will report to ACE.

##### Counterpart Funds

6. The Borrower shall provide counterpart funds for Project implementation on time. The Borrower shall make timely submission of annual budgetary appropriation request and ensure prompt disbursement of appropriated funds during each year of Project implementation.

##### Cooperation among Relevant Agencies

7. The Borrower shall ensure that all its ministries, agencies and divisions involved in the implementation of the Project, including the local authorities within the Project Area, give their full cooperation to ensure smooth implementation of the Project.

##### Subproject Selection Criteria

8. LGED shall ensure that all Subprojects are selected and implemented in accordance with the following subproject selection criteria that has been prepared and agreed between the Borrower and ADB:

#### A. General Criteria for Selection of Subprojects

1. (a) Subprojects must be identified by local beneficiaries, and initially processed through their elected representatives in the Union Parishad; and
- (b) local people, beneficiaries and project affected people must be involved and consulted at all stages of Subproject development.

2. IWRMU shall identify candidate Subprojects, from locally derived requests emanating from the Union Parishad (UP) and approved by the Upazila Parishad. IWRMU shall prescreen candidate Subprojects and conduct visits to ensure that Subprojects proposed for feasibility study meet the basic requirements of the Project. IWRMU will then oversee the preparation of an SPFR for each candidate Subproject.

**B. Eligibility Criteria for Subprojects**

1. To be eligible for financing through the Project, Subprojects must be selected in accordance with the following criteria:
  - (a) the request for the Subproject must emanate from the beneficiaries;
  - (b) the Subproject is consistent with the district water resources assessment (where finalized) and has been approved by the District Level Inter-agency Project Evaluation Committee;
  - (c) more than 40% of the Subproject benefit area will be owned by the functionally landless, marginal or small farming households;
  - (d) no more than 30% of households in the Subproject area depend on subsistence capture fisheries;
  - (e) Subprojects will entail rehabilitation or upgrading of existing water control systems, but may include new supplementary structures within existing systems;
  - (f) Subproject cost must not exceed \$1,250 per hectare (ha) for CAD schemes or \$750 per ha for other schemes without the prior approval of ADB and a maximum threshold will be established for annual O&M costs;
  - (g) the Subproject benefit area must not exceed 1,000 ha;
  - (h) resettlement and asset acquisition costs must not exceed 20% of the engineering base costs;
  - (i) each Subproject must be technically feasible and economically viable with an economic internal rate of return of at least 12%;
  - (j) each Subproject must be socially and culturally sound requiring no displacement of people nor impingement on sensitive areas;
  - (k) the IEE has been undertaken and appropriately approved after consultation with beneficiaries and project affected people, and has concluded that the subproject is environmentally feasible and that any negative consequences can be mitigated to an acceptable level;
  - (l) at least 70% of direct beneficiary households (owners and tenants) have enrolled representation on the WMCA;
  - (m) the recurrent maintenance costs of the Subproject will be borne by the WMCA using funds contributed proportionally by benefiting land owners or cultivators;
  - (n) the Subproject is located on stable land not vulnerable to river erosion nor requiring significant river bank protection work;

- (o) the Subproject is justified as the most feasible to achieve the stated objectives and is shown to be designed to minimize costs;
  - (p) the Subproject's implementation timeframe is reasonable and surveys and design can be prepared, reviewed, safeguard procedures and other procedures followed with implementation able to be completed within the Project period (2009-2017); and
  - (q) all required Government approvals shall have been obtained.
2. In addition, no Subproject will be approved that involve any of the following:
- (a) location in nature reserves;
  - (b) any significant loss of primary forest, mangroves or sensitive wetland;
  - (c) any permanent negative effect on known rare or endangered species;
  - (d) any significant impacts on air quality and water quality;
  - (e) any permanent damage to cultural relics and archaeological sites; and
  - (f) involuntary relocation of people.
3. In the selection of Subproject sites, priority will be given to:
- (a) Subprojects having higher percentages of small-scale and marginal farmers and landless people; and
  - (b) Subprojects located in food deficient areas.

#### No Overlap with the Programs of Other Development Partners

9. The Borrower and LGED shall ensure that there shall be no overlap of activities or program between the subprojects funded under this Project and projects funded by other development partners.

#### IWRMU

10. The Borrower and LGED shall ensure that prior to the scheduled midterm review, LGED shall have included in its revenue budget posts and allocate the funds to all existing posts in IWRMU. Furthermore, all LGED Regional offices shall have created and filled posts under revenue budget for Senior Sociologist and Assistant Engineer (Water Resources) and allocated budget for these post. In specific, the creation of these posts at the LGED Regional Offices shall be carried out in stages, in accordance with the following schedule: (i) within 12 months of the Effective Date, the posts shall have been created and budgeted in four LGED Regions offices, (ii) within 36 months of the Effective Date, the posts shall have been created and budgeted in another four LGED Regions offices, and (iii) within 60 months of the Effective Date, the posts shall have been created in and budgeted in two additional LGED Regions.

Project Website

11. Within 9 months of the Effective Date, LGED shall create a Project website to disclose information about various matters on the Project, including procurement. With regard to procurement, the website shall include information on the list of participating bidders, name of the winning bidder, basic details on bidding procedures adopted, amount of contract awarded, and the list of goods/services procured.

Grievance Redress Mechanism

12. Within 9 months of the Effective Date, LGED shall prepare a grievance redress mechanism, acceptable to ADB, and establish a task force at LGED to receive and resolve complaints/grievances or act upon reports from stakeholders on misuse of funds and other irregularities, including grievances due to resettlement. The task force shall (i) make public of the existence of this Grievance Redress Mechanism, through public awareness campaign, (ii) review and address grievances of stakeholders of the Project, in relation to either the Project, any of the service providers, or any person responsible for carrying out any aspect of the Project; and (iii) proactively and constructively responding to them.

Involuntary Resettlement

13. Borrower and LGED shall ensure that all land and right-of-way required for the Project shall be made available in a timely manner and compensation calculated in accordance with the RF have been paid to affected people prior to any civil works contract's award. Any involuntary resettlement shall be carried out in accordance with the Resettlement Framework agreed between the Borrower and ADB, and ADB's *Policy on Involuntary Resettlement* (1995). A Resettlement Plan shall be prepared for each subproject involving land acquisition or resettlement and shall be submitted to ADB for review and approval prior to any related civil works contract's award. The RPs, that have been prepared and agreed by the Borrower and ADB, for the sample subprojects, shall be updated and provided to ADB for review and approval following detailed design and prior to civil work contracts' award. The draft RPs and draft updated RPs shall be disclosed to affected people prior to submission to ADB for review and approval.

Environment

14. The Borrower shall ensure that the design, environmental assessment, construction, operation, implementation and environmental monitoring of all Project facilities shall be carried out in accordance with the IEE and the EARP agreed between the Borrower and ADB, and comply with the Borrower's environmental laws and regulations and ADB's *Environment Policy* (2002). Any adverse environmental impacts arising from the construction, operation and implementation of Project facilities shall be minimized by implementing the environmental mitigation and management measures, and other recommendations specified in the EARP and IEE. The Borrower shall ensure environmental requirements shall be incorporated in bidding documents and civil works contracts.

Indigenous People

15. The Borrower and LGED shall ensure the Project shall be prepared and implemented in accordance with the IPDF that has been prepared and agreed between the Borrower and ADB and the ADB's *Policy on Indigenous Peoples* (1998).

Gender

16. To ensure that women benefit equally from the Project and interventions avoid gender bias, the Borrower and LGED shall ensure that the Gender Action Plan that has been prepared and agreed between the Borrower and ADB is duly considered and complied with, and its principles incorporated in Project planning and implementation.

Labor

17. The Borrower and LGED shall ensure that the civil works contractors, including the LCS, comply with all applicable labor, health, and safety laws and regulations of Bangladesh and, in particular, (a) do not employ child labor for construction and maintenance activities, and (b) provide appropriate facilities (latrines, etc.) for workers at construction sites. The Borrower shall require contractors including the LCS not to differentiate wages between men and women for work of equal value.

18. The Borrower shall ensure that specific clauses shall be included in bidding documents to ensure adherence to these provisions, and that compliance shall be strictly monitored during project implementation.

Project Monitoring

19. Within 6 months of the Effective Date, the PMO shall submit a detailed implementation-monitoring plan to ADB for review and concurrence. The PMO shall also conduct initial baseline physical and socioeconomic surveys on each of the subprojects during the Project implementation period.

20. Within 9 months of the Effective Date, the PMO shall establish a PPMS with gender disaggregated data. LGED shall ensure that IMED shall conduct evaluation of the project services by and shall submit its evaluation report to ADB not later than 6 months after the completion of the Project.

Cofinancing

21. In the event IFAD Loan cannot be obtained, such loss or reduction of funding shall not be financed from the proceeds of the Loan. The Borrower shall make alternative arrangements, satisfactory to ADB, necessary to cover the funding shortfall.