
LOAN NUMBER 2397-BAN(SF)

LOAN AGREEMENT
(Special Operations)

(SASEC Information Highway Project- Bangladesh Component)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 15 MARCH 2009

LAS:BAN 40054

**LOAN AGREEMENT
(Special Operations)**

LOAN AGREEMENT dated 15 March 2009 between PEOPLE'S REPUBLIC OF BANGLADESH (Bangladesh or the Borrower) and ASIAN DEVELOPMENT BANK (ADB).

WHEREAS

(A) As part of the South Asia Subregional Economic Cooperation regional information and communications technology (ICT) strategy, Bangladesh, the Kingdom of Bhutan, (Bhutan), Nepal, and India (collectively, the South Asia Subregional Economic Cooperation (SASEC) countries) have agreed to undertake a subregional investment project (the Project) to develop a SASEC information highway which will deliver modern, affordable and reliable broadband information, communication, and knowledge services within and across their borders to businesses and to extend the ICT accessibility of their rural and remote communities. The Project is described in Schedule 1 to this Loan Agreement;

(B) Bangladesh has applied to ADB for a loan for undertaking those parts of the Project that apply directly to Bangladesh and in order to contribute its share of the Project as described in Schedule 1 to this Loan Agreement;

(C) by a Grant Agreement between Bhutan and ADB, ADB has agreed to provide a grant to Bhutan and by a Grant Agreement between Nepal and ADB, ADB has agreed to provide a grant to Nepal for the purposes of the Project. The balance of the Project costs are being funded by the Governments of the SASEC countries (collectively, the Governments) and under the TA project noted in Recital (D) below;

(D) the Governments have applied to ADB for technical assistance to support the implementation of the Project which is to be provided on a grant basis from the Regional Cooperation and Integration Fund, in the amount of four million four hundred thousand dollars (\$4,400,000) (the TA Project), to be divided equally among the SASEC countries and administered by ADB; and

(E) 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) "Bilateral Interconnection Agreements" means the agreements to be entered into between Bangladesh's Regional Network Service Agency and each of the other SASEC countries' Regional Network Service Agencies, as more fully described in paragraph 11 of Schedule 5 to this Loan Agreement;

(b) "CeC" means a rural community e-center which provides 'last mile' access to knowledge and information for communities in rural and remote areas;

(c) "Consulting Guidelines" means ADB's Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers dated February 2007, as amended from time to time;

(d) "Content Development and Incubation Support" means the arrangements to be established in each SASEC country under the Project, and in Bangladesh as more fully described in paragraph 14 of Schedule 5 to this Loan Agreement;

(e) "Country Management Consultants" means the management consultants to be engaged to assist in Project implementation at the national level, as more fully described in paragraph 5 of Schedule 5 to this Loan Agreement;

(f) "Fiber Optic Network" means the network to be built under the Project, connecting the SASEC countries to the SASEC Regional Network;

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

(h) "ICT" means information and communication technology;

(i) "ICTWG" means the SASEC ICT Working Group comprising the secretaries of the relevant ministries of ICT of the SASEC countries, or any successor thereto;

(j) "International Project Management Consultants" means the management consultants engaged jointly by the SASEC countries, as more fully described in paragraph 5 of Schedule 5 to this Loan Agreement;

(k) "Management consultants" means collectively, the International Project Management Consultants and the Country Management Consultants;

(l) "Master Plan" means the SASEC ICT Development Master Plan agreed by the ICTWG which lays down the strategy, framework and priorities for SASEC ICT regional cooperation, as revised from time to time;

(m) "MOSICT" means the Ministry of Science and Information and Communication Technology of Bangladesh, or any successor thereto;

(n) “Multilateral Cooperation Agreement” means the agreement entered into by the SASEC countries which sets out the overall framework and guidelines for the operation of the SASEC Regional Network, as revised from time to time;

(o) “PMU” means the Project management unit established within MOSICT, as more particularly referred to in paragraphs 3 and 4 of Schedule 5 to this Loan Agreement;

(p) “PPM Indicators” mean the Project performance monitoring and evaluation indicators relating to the Project, including Project milestones, as agreed between Bangladesh and ADB;

(q) “Procurement Guidelines” means ADB’s Procurement Guidelines dated February 2007, as amended from time to time;

(r) “Procurement Plan” means the procurement plan for the Project, dated 27 November 2007, agreed between Bangladesh and ADB as may be amended from time to time in agreement between Bangladesh and ADB;

(s) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MOSICT which is responsible for the carrying out of the Project;

(t) “Project facilities” means the facilities, equipment, and materials provided under this Project or any part thereof;

(u) “PSC” means, for the purpose of the Project, the Project Steering Committee, as more fully described in paragraph 2 of Schedule 5 to this Loan Agreement;

(v) “Regional Network Service Agency” means the service agency that is responsible for providing services to a SASEC country under the Project for the operation of the SASEC Regional Network, and for Bangladesh as described in paragraphs 8 and 9 of Schedule 5 to this Loan Agreement;

(w) “Regional Network Service Agency Agreement” means the service agency agreement to be entered into between a SASEC country and its relevant Regional Network Service Agency, and for Bangladesh as described in paragraph 9 of Schedule 5 to this Loan Agreement;

(x) “RTN Service Agency” means the service agency that is responsible for providing services to a SASEC country under the Project for the operation of the SASEC Research and Training Network, and for Bangladesh as described in paragraph 14 of Schedule 5 to this Loan Agreement;

(y) “Resource Pool” means the fund to be established under the Project by each SASEC countries, and for Bangladesh, as is more fully described in paragraph 13 of Schedule 5 to this Loan Agreement;

(z) “SASEC” means South Asia Subregional Economic Cooperation;

(aa) “SASEC countries” means Bangladesh, Kingdom of Bhutan, Nepal, and India;

(bb) "SASEC PMUs" mean the collective Project management units established by each SASEC country;

(cc) "SASEC Regional Network" means the extensive broadband network linking the SASEC countries; the Fiber Optic Network; and the four access gateways located, or to be located in each SASEC country, as more fully described in Schedule 1 to this Loan Agreement;

(dd) "SASEC regional village communities" mean the relevant village communities within each SASEC country which will be involved in the Project;

(ee) "SASEC Research and Training Network" means the network to be established under the Project as more fully described in Schedule 1 to this Loan Agreement;

(ff) "SASEC Village Network" means the network in each SASEC country, as more fully described in Schedule 1 to this Loan Agreement;

(gg) "TA Project" has the meaning specified in Recital (C) to this Loan Agreement;

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

(ii) "Village Service Agencies" means the service agencies that are responsible for the operation of the SASEC Village Network and the establishment of the CeCs under the Project as more fully described in paragraphs 12 and 13 of Schedule 5 to this Loan Agreement; and

(jj) "Works" means construction or civil works to be financed out of the proceeds of the Loan, and includes 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 one million nine hundred forty nine thousand Special Drawing Rights (SDR1,949,000).

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 April and 15 October 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 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 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 5 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 2010 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 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.

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; Cancellation; Acceleration of Maturity

Section 5.01. The following is specified as an additional event for suspension of the right of Bangladesh to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Project Executing Agency shall have failed to perform any of its obligations under the Multilateral Cooperation Agreement or failed to enforce the terms of the Regional Network Service Agency Agreement, which in the reasonable opinion of ADB, will or may adversely affect the carrying out of the Project or the operation of the Project facilities.

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: Bangladesh shall have signed or acceded to the Multilateral Cooperation

Agreement and taken all such action as is necessary to ratify or otherwise make it effective in its own territory.

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 Economic Relations Division, Ministry of Finance of Bangladesh is designated as representative of Bangladesh 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 Bangladesh

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka 1207
Bangladesh

Cable Address:

BAHISAMPAD
DHAKA

Telex Number:

642226 SETU BJ

Facsimile Number:

+880 2 811 3088

For ADB

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

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

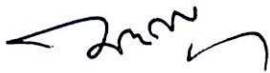
29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

(632) 636 2444
(632) 636 2221.

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 objectives of the Project are to improve ICT connectivity between the SASEC countries and provide modern, affordable, and reliable broadband information, communication, and knowledge services within and across borders to universities, businesses, and expand ICT-accessibility in remote rural areas. The expected outcomes are an enhanced SASEC Regional Network, the establishment of SASEC Village Networks for the SASEC regional village communities and the SASEC Research and Training Network.

2. The Project is a subregional investment project to be implemented jointly by the SASEC countries in a cooperative and coordinated manner. Each SASEC country will be responsible for developing the Project facilities at the national and village level, as well as ensuring coordinated subregional efforts.

The Project consists of the following components:

Component 1 - SASEC Regional Network

This component will enhance the SASEC Regional Network by:

- (a) building, as part of the Fiber Optic Network, an alternative fiber optic route:
 - (i) of about 55 km from Panchagarh to Banglabandha in Bangladesh;
 - (ii) of about 140 km via Bhutan's Bhutan Power Corporation's transmission network grid, from Thimphu to Phuentsholing in Bhutan;
 - (iii) of about 433 km via the Nepal Electrical Authority transmission power grid network In Nepal, from Hetauda to Biratnagar in Nepal
- (b) installing gateway core routers and management devices and software for country access gateways in Thimphu in Bhutan, Dhaka in Bangladesh, Shiliguri in India, and Kathmandu in Nepal; and
- (c) installing border core routers and equipment in three landing stations at Pancharghar in Bangladesh; Phuentsholing in Bhutan; and Biratnagar in Nepal and establishing seven border connectivity townships with effective strategic cable landing points at: (i) Pancharghar in Bangladesh; (ii) Phuentsholing in Bhutan; (iii) Shiliguri, Jogbani, Fulbari, and Jaigaon in India; and (iv) Biratnagar in Nepal.

Component 2: SASEC Village Network

This component will network a group of villages to undertake their own information generating activities, accumulating and exchanging social capital through a village hub by:

Schedule 1

- (a) establishing about 110 CeCs in the SASEC countries, including building about six hub CeCs and about five spoke CeCs branching from each hub to be connected to the SASEC Regional Network in each of Bhutan and Nepal, and five hub CeCs and about five spoke CeCs branching from each hub to be connected to the SASEC Regional Network in each of Bangladesh and India;
- (b) supporting the establishment of rural wireless broadband network to link the CeCs to the SASEC Regional Network, and
- (c) developing a portal service (including voice, chatting, video conference, email, community bulletin, etc) and knowledge database management system in the SASEC countries.

Component 3: SASEC Research and Training Network

This component will establish the SASEC Research and Training Network in each SASEC country to improve the social and economic condition of the people in rural communities, by:

- (a) establishing a research and training center;
- (b) developing broadband connectivity to link the research and training center to the SASEC Regional Network;
- (c) establishing the Content Development and Incubation Support to encourage rural entrepreneur investments in ICT enabled business development; and
- (d) developing on-line and off-line research and training programs on e-business and other development.

Component 4: Project Implementation Support

This component will provide equipment and consulting services to assist the SASEC PMUs to coordinate their efforts under the Project with overall Project management, implementation, and regional coordination support, capacity building; awareness building and training to the relevant communities and technical staff; and monitoring and evaluation structures.

3. The Project is expected to be completed by 31 December 2009.

SCHEDULE 2**Amortization Schedule
(SASEC Information Highway Project - Bangladesh Component)**

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
15 April 2016	40,604
15 October 2016	40,604
15 April 2017	40,604
15 October 2017	40,604
15 April 2018	40,604
15 October 2018	40,604
15 April 2019	40,604
15 October 2019	40,604
15 April 2020	40,604
15 October 2020	40,604
15 April 2021	40,604
15 October 2021	40,604
15 April 2022	40,604
15 October 2022	40,604
15 April 2023	40,604
15 October 2023	40,604
15 April 2024	40,604
15 October 2024	40,604
15 April 2025	40,604
15 October 2025	40,604
15 April 2026	40,604
15 October 2026	40,604
15 April 2027	40,604
15 October 2027	40,604
15 April 2028	40,604
15 October 2028	40,604
15 April 2029	40,604
15 October 2029	40,604
15 April 2030	40,604
15 October 2030	40,604
15 April 2031	40,604
15 October 2031	40,604
15 April 2032	40,604
15 October 2032	40,604
15 April 2033	40,604
15 October 2033	40,604
15 April 2034	40,604
15 October 2034	40,604
15 April 2035	40,604

<u>Date Payment Due</u>	<u>Payment of Principal</u> (expressed in Special Drawing Rights)
15 October 2035	40,604
15 April 2036	40,604
15 October 2036	40,604
15 April 2037	40,604
15 October 2037	40,604
15 April 2038	40,604
15 October 2038	40,604
15 April 2039	40,604
15 October 2039	<u>40,612</u>
Total	<u><u>1,949,000</u></u>

* 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

Allocation and Withdrawal of Loan Proceeds

General

1. The table attached to this Schedule sets forth the Categories of Goods, Works, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category (hereinafter called the Table). (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

3. The amount allocated to Category 4 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds 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, by advice to the Borrower, 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 then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, at the request of, or by advice to, the Borrower, reallocate such excess amount to any other Category.

Imprest Account: Statement of Expenditures

5. (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 Taka. The initial amount to be deposited into the imprest account 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, in accordance with ADB's "Loan Disbursement Handbook" dated January 2007, as amended from time to time, and detailed arrangements agreed upon between Bangladesh and ADB. Any individual payment to be reimbursed under the SOE procedure shall not exceed \$10,000.

Retroactive Financing

6. Withdrawals from the Loan Account may be made for reimbursement of reasonable 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 to be retroactively financed, subject to a maximum amount equivalent to 20 percent of the Loan amount.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (SASEC Information Highway Project - Bangladesh Component)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated SDR ('000s)		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	System development, supply and installation	1,553		79 percent of total expenditure
2	Consulting Services	321		93 percent of total expenditure
2a	Regional		130	
2b	National		191	
3	Administrative/ Implementation Support	50		100 percent of total expenditure*
4	Interest During Construction	25		100 percent of amount due
	Total	1,949		

*Exclusive of local taxes

SCHEDULE 4**Provisions on Procurement and Consulting Services****A. General**

1. All Goods and 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 International Competitive Bidding. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. Bangladesh 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. Bangladesh 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.

C. Conditions for Award of Contract

5. Unless otherwise agreed with ADB, Bangladesh shall ensure that the contract for network design and installation of the Fibre Optic Network is not awarded until Bilateral Interconnection Agreements have been signed with each of the other SASEC countries' Regional Network Service Agencies.

D. Selection of Consulting Services

6. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, quality- and cost-based selection shall apply for selecting and engaging consulting services.
7. ADB shall undertake the selection of, and contract negotiations with, the International Project Management Consultants; and Bangladesh, in collaboration with the other SASEC countries, shall engage the International Project Management Consultants on a joint basis.

E. Industrial or Intellectual Property Rights

8. (a) Bangladesh 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) Bangladesh 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.

9. Bangladesh 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.

F. ADB's Review of Procurement Decisions

10. 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 Bangladesh and ADB and set forth in the Procurement Plan.

SCHEDULE 5

Execution of Project and Operation of Project Facilities; Financial Matters

Project Executing Agency and Project Steering Committee

1. MOSICT, as the Project Executing Agency, shall be responsible for the overall execution and coordination of the Project in Bangladesh and for coordination of the joint subregional efforts.
2. Bangladesh shall take all reasonable measures to ensure that the Project steering committee (PSC), established by the SASEC countries:
 - (a) is mandated to undertake the joint supervision and monitoring of the overall Project implementation, including (i) providing overall guidance for the SASEC PMUs to ensure proper coordination of joint subregional activities, and timely and effective performance of the Project, (ii) supervising strategic planning and review and approving modifications and changes to Project implementation as needed, (iii) approving relevant Project documentation and agreements and facilitating their execution, (iv) ensuring sharing between SASEC countries, of Project outputs, materials, and studies generated under the SASEC Research and Training Network; and (v) resolving any disputes between the SASEC countries, or between the SASEC countries and the Project management consultants, regarding Project implementation issues;
 - (b) (i) meets, including by telephone or video conferencing, at least every six months or more often if necessary, (ii) has secretariat support as agreed between SASEC countries, and (iii) submits the minutes of each meeting to ADB for information; and
 - (c) appoints the Secretary of MOSICT as a member.

Project Management Unit and Management Consultants

3. Bangladesh shall cause MOSICT to: (a) establish the PMU to be headed by the Project Director who shall be at joint secretary level; and (b) ensure that: (i) appropriate staff are assigned to the PMU, including a technical expert (the Project Manager), and at least one administrative staff to provide technical expertise and administrative support in areas of accounting, contract administration, disbursement, planning and procurement, and (ii) adequate office space and facilities, transport, and secretarial support are provided to the PMU as needed; and (c) ensure that a representative of the Regional Network Service Agency is assigned to work on a full time basis, directly with the PMU.
4. The PMU shall be responsible for day-to-day implementation of the Project in Bangladesh and shall work in coordination with the Country Management Consultants to: (a) coordinate national and village activities; (b) handle the bidding processes; (c) recruit consultants, supervise and monitor the outputs and managing contracts; (d) monitor Project progress; (e) prepare withdrawal applications and Project progress

reports and the Project completion report for Bangladesh related activities; (f) maintain Project accounts, prepare the statements of expenditure, complete Loan financial records for auditing and have them audited by an external auditor acceptable to ADB; (g) monitor the socioeconomic impacts of the Project and serve as a liaison point between the Project villages, MOSICT, and ADB; and (h) report the progress of Project implementation to the PSC and ADB on a monthly basis.

5. Bangladesh authorizes ADB to undertake the selection of, and contract negotiations with, the International Project Management Consultants in consultation with MOSICT. Bangladesh, in collaboration with the other SASEC countries, shall contract the International Project Management Consultants on a joint basis to assist in Project implementation at the subregional level. Bangladesh shall engage the Country Management Consultants comprising a Bangladesh country team consisting of three subteams: (a) a SASEC Regional Network team; (b) a Village Network/Research and Training Network team, with both subteams comprising a team leader, a design engineer, a procurement specialist, and a network engineer; and (c) a country joint team comprising a social development specialist, an environment specialist, and a quality assurance specialist. The management consultants shall be employed to: (i) design all networks to be procured under the Project; (ii) prepare bid documents; (iii) assist the PMU in tendering (prequalification, evaluation of proposals, etc); and (iv) assist the PMU to supervise contractors.

Policy Dialogue

6. Bangladesh shall keep ADB informed of, and the Bangladesh and ADB shall from time to time exchange views on, sector issues, policy reforms and any additional reforms arising during the implementation of the Project and TA Project, that may be considered necessary or desirable.

7. Bangladesh shall promptly discuss with ADB problems and constraints encountered during implementation of the Project and the TA Project, and appropriate measures to overcome or mitigate such problems and constraints.

Implementation Issues

Component One – SASEC Regional Network- Fiber Optic Network

8. Bangladesh shall ensure that: (a) the following criteria are used to select the Regional Network Service Agency: (i) availability of national fiber optic network with reliable and expandable capacity; (ii) availability of existing right of way; (iii) availability of optical fiber route that favors location of wireless sites to link rural CeC networks; (iv) availability of support for next generation technology of network; and (b) the selection is based on technical and financial capability to deliver the desired solution within and across the borders of Bangladesh.

9. Within nine months after Loan Effectiveness, Bangladesh shall have entered into a service agency agreement with the Regional Network Service Agency (the Regional Network Service Agency Agreement) which: (a) governs the obligations of the Regional Network Service Agency to keep, manage, and operate the national Fiber Optic Network and equipment as designed, built, and installed by the Project and serve the requirements of the SASEC Regional Network; and (b) requires the Regional Network Service Agency to contribute an agreed portion of the revenue accrued from operating the SASEC Regional Network to the Resource Pool. Bangladesh shall ensure that the contributions and investments of the Resource Pool are used

to support the financial sustainability of the SASEC Village Network in Bangladesh, and the SASEC Research and Training Network.

Land Acquisition and Resettlement.

10. Bangladesh shall also cause MOSICT to ensure that: (a) the Fiber Optic Network and related equipment will be co-located with existing facilities whenever required; and (b) in the event of: (i) any unanticipated or unforeseen involuntary resettlement, (ii) private land acquisition, or (iii) resettlement activities during Project implementation, the Project will be implemented in accordance with ADB's *Policy on Involuntary Resettlement (1995)* and the *Policy on Indigenous Peoples (1998)*, and in accordance with all applicable laws and regulations in Bangladesh. In the event of discrepancies between the Bangladesh's laws and regulations and ADB's Policy, ADB's Policy shall prevail.

11. Within 12 months after Loan Effectiveness, Bangladesh shall have taken all reasonable measures to cause its Regional Network Service Agency, to have entered into Bilateral Interconnection Agreements, with each of the Regional Network Service Agencies of the other SASEC countries, which: (a) set the terms and conditions for interconnection of, and exchange of digital traffic between, their respective in-country networks including technical specifications of networks and maintenance; and (b) detail the mechanism for revenue and cost sharing.

Component Two - SASEC Village Network

12. Bangladesh shall cause MOSICT to ensure that: (a) the operation of the SASEC Village Network and CeCs is franchised to private entrepreneurs such as rural internet service providers or non government organizations that are involved in similar CeC operations using the most suitable modality, such as by auction or leasing; and (b) where appropriate, the potential Village Service Agencies, in the course of the bidding processes, will be required to indicate the necessity of social subsidy in circumstances where the CeCs they bid for, are assessed as financially non-viable; and (c) MOSICT selects each Village Service Agency based on a selection process in which the Village Service Agency has offered the highest price or required the lowest subsidy to operate and maintain the relevant contract package of CeCs and the operation of SASEC Village Network.

13. Within 12 months after Loan Effectiveness, Bangladesh shall cause MOSICT to enter into agreements between MOSICT and each selected Village Service Agency which prescribes: (a) the obligations of the Village Service Agency to manage and operate the SASEC Village Network; (b) the social responsibility of Village Service Agency by specifying minimum services they should provide for the communities particularly for the poor and women; (c) the formula for determining any financial assistance that MOSICT needs to extend to ensure the financial sustainability of the relevant CeC operations; and (d) the terms and conditions for use of, including the selection criteria for users of, the Resource Pool.

Component Three – SASEC Research and Training Network

14. Within 12 months after Loan Effectiveness, Bangladesh shall cause MOSICT to select and enter into an agreement between MOSICT and the RTN Service Agency which prescribes: (a) the obligations of the RTN Service Agency to manage and operate the SASEC Research and Training Network; and (b) the terms and conditions for use of the Content Development and

Incubation Support, including the selection criteria for users; and (c) the research and training center operations.

Other Issues

Environmental Protection

15. Bangladesh shall ensure that: (a) the Project will be implemented by taking into consideration the ADB's *Environment Policy* (2002), and the Government Protection Act, 1997; (b) the construction of data center will be carried out by taking into account the recommendations from the initial environmental examination and by strictly following the conditions attached in the building permit; and (c) any unexpected environmental impact will be addressed following consultations with ADB.

Labor Laws

16. Bangladesh shall cause MOSICT to ensure that: (a) all civil works, system development and installation contractors: (i) comply with all applicable labor laws, (ii) do not employ child labor for construction and maintenance activities, (iii) do not differentiate wages between men and women particularly for work of equal value, (iv) encourage employment of the local poor who meet the job and efficiency requirements, particularly women, and (v) provide timely payment of wages on at least a monthly basis and safe working conditions to all workers; (b) all contracts will include specific clauses on the undertakings described in (a) above; and (c) the PMU strictly monitors compliance during Project implementation.

Good Governance and Anticorruption

17. Consistent with ADB's and Bangladesh's commitment to good governance, accountability and transparency, Bangladesh shall ensure that: (a) the Loan funds are utilized effectively and efficiently to implement the Project and to achieve the Project objectives and necessary measures are undertaken to create and sustain a corruption-free environment; (b) Bangladesh's laws on anticorruption, and ADB's *Policy on Anticorruption*, 1998 as amended to date, are strictly enforced and are being complied with during Project implementation, and that relevant provisions of ADB's policy on *Anticorruption*, are included in all bidding documents for the Project; (c) Bangladesh's agencies facilitate ADB's exercise of its right to investigate any alleged corrupt, fraudulent, collusive or coercive practices relating to the Project; (d) the MOSICT conducts periodic inspections on the Project contractors' activities related to fund withdrawals and settlements; and (e) ensure that all contracts financed by ADB in connection with the Project include provisions specifying the right of ADB to audit and examine the records and accounts of MOSICT and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

Mid-Term Review

18. Bangladesh and ADB will jointly undertake a mid-term review of the Project about 12 months after Loan Effectiveness, to assess progress, issues and constraints and identify any necessary remedial action and adjustments in Project design, the Project implementation schedule and/or implementation arrangements.

Counterpart Support

19. Bangladesh shall also ensure that: (a) necessary support from relevant government agencies is forthcoming in a timely manner so that all necessary authorizations and support is given so that the Project can be implemented, in a timely manner and in coordination with other ICT activities; and (b) throughout implementation of the Project and without limiting the generality of Section 6.05 of the Loan Regulations, adequate budgetary allocations for the required counterpart funds are made, approved, and released in a timely manner to ensure efficient and timely implementation of the Project during each year of Project implementation and that necessary budgetary allocations are provided to meet the recurrent costs under the Project for the operation and maintenance of the Project facilities both during and after Project completion.

Gender

20. Bangladesh shall ensure that: (a) the gender strategy approved under the Project is implemented in a timely manner and that adequate resources are allocated for this purpose; (b) all necessary authorizations are provided in a timely manner for Project activities which acknowledge and address the fact that risks and protective factors differ according to gender and that the gender norms that affect ICT applications will be addressed; (c) targets and design features outlined in the gender strategy are incorporated across Project activities including the PPM Indicators; and (d) equal employment and access to opportunities, including training, is provided for men and women during Project implementation.

Accounts and Audit

21. Without prejudice to the generality of Section 4.02 of this Loan Agreement, Bangladesh shall ensure that a separate accounting system for Project expenditures is maintained in accordance with sound accounting principles. All Project accounts, including financial statements, statements of expenditures and account records, shall be audited annually as part of the regular audit accounts and financial statements by an independent and external audit firm. The consolidated audit reports (in English) shall be submitted to ADB in accordance with the requirements and within the deadlines stated in Section 4.02(a) of this Loan Agreement. The audit opinion shall include: (a) an assessment of the adequacy of accounting and internal controls systems with respect to Project expenditures and other financial transactions, and to ensure safe custody of Project financed assets; (b) a determination as to whether Bangladesh and the Project Executing Agency have maintained adequate documentation for all financial transactions, specifically including the SOE procedures; and (c) confirmation of compliance with this Loan Agreement's financial covenants and ADB requirements for Project financial management. ADB reserves the right to investigate any alleged corrupt, fraudulent, collusive, or coercive practices relating to the Project.

Progress Reports

22. Without limiting the generality of Section 6.04 of the Loan Regulations, Bangladesh, during the implementation period of the Project, shall submit to ADB, through the PMU, quarterly progress reports on the Project summarizing: (a) progress made against established targets; (b) delays and problems encountered, and actions taken to resolve issues; (c) compliance with covenants in this Agreement; (d) proposed program of activities for the next six

months; (e) expected progress during the succeeding period; and (f) a Project completion report within three months after completion of the Project.

Project Performance Monitoring and Evaluation

23. Bangladesh, through the PMU shall: (a) monitor and evaluate Project impacts in accordance with the Project Performance Monitoring (PPM) and Evaluation system, acceptable to ADB; (b) discuss and agree with ADB and in conjunction with the Management consultants, the PPM indicators and baseline data to be prepared by the PMU, within three months of Loan Effectiveness; and (c) ensure that the PPM indicators are monitored and compared during Project implementation and at Project completion. The PMU shall ensure timely and effective data collection systems are in place and that information collected is analyzed and used to refine activities through the course of Project implementation, with results being reported to the PSC, ADB, and management consultants periodically. Without limiting the generality of the above, the PPM Indicators and baseline data shall, to the extent possible, make full use of gender and ethnicity disaggregated data and information and shall be applied in a flexible manner.