
LOAN NUMBER 2462-BAN (SF)

LOAN AGREEMENT
(Special Operations)

(Second Urban Governance and Infrastructure Improvement (Sector) Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 4 NOVEMBER 2008

LAS:BAN 40559

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 4 November 2008 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 signed an agreement dated 21 April 2008, with the Government of the Federal Republic of Germany, according to which the Kreditanstalt für Wiederaufbau (hereinafter referred to as KfW) will provide a grant equivalent to twenty-three million Euro (€23,000,000), to finance, on a parallel basis, civil works and equipment in the following Pourashavas: Rangpur, Takurgaon, Natore, Kurigram, Gaibandah, Sirajganj, Dinajpur, Mymensingh, Sreepur, Jamalpur and Mirzapur; and, with respect to phase 3 of the Project, any other secondary town satisfying the entry criteria for Pourashavas agreed between the Borrower and KfW;

(C) the Borrower has also signed an agreement, dated 21 April 2008, with the Government of the Federal Republic of Germany, according to which the Gesellschaft für Technische Zusammenarbeit (hereinafter referred to as GTZ) will provide a grant equivalent to three million Euro (€3,000,000), to finance, on a parallel basis, capacity development activities to support the Project; and

(D) 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) "Class A Pourashavas" means Pourashavas with three years average annual revenue income or more than 6,000,000 taka, as defined in the gazette notice dated 7 May 1992 by LGD;

(b) “Class B Pourashavas” means Pourashavas with three years average annual revenue income of more than 2,500,000 taka and equal or less than 6,000,000 taka, as defined in the gazette notice dated 7 May 1992 by LGD;

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

(d) “GAP” means the gender action plan, agreed between the Borrower and ADB;

(e) “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;

(f) “LGD” means the Borrower’s Local Government Division, and includes any successor thereto acceptable to ADB;

(g) “LGED” means the Borrower’s Local Government Engineering Department under LGD, and includes any successor thereto acceptable to ADB;

(h) “PDP” means the Pourashava development plan, to be prepared for each Pourashava under the Project;

(i) “PIU” means the Project implementation unit, established in each Pourashava, in accordance with paragraph 5 of Schedule 5 to this Loan Agreement;

(j) “PMO” means the Project management office, established in accordance with paragraphs 3 and 4 of Schedule 5 to this Loan Agreement;

(k) “Pourashavas” means secondary towns and refers to the Borrower’s secondary towns of Mymensingh, Faridpur, Sreepur, Jamalpur, Ghorashal, Munshiganj, Noakhali, Chandpur, B. Baria, Comilla, Chawmohoni, Satkhira, Jhenaidah, Narail, Bagerthat, Takurgaon, Natore, Dinajpur, Kurigram, Gaibandah, Sirajganj, Bhola, Barguna, Jhalakanthi, Sunamganj, Sreemangal, Rangpur, Cox’s Bazar, Bhanga, Mirzapur, Parshuram, Nachole, Benapole, Kolapara and Golapganj, and, with respect to phase 3 of the Project, any other secondary town satisfying the entry criteria for Pourashavas agreed between the Borrower and ADB;

(l) “PRAP” means the Poverty Reduction Action Plan for the Project, agreed between the Borrower and ADB;

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

(n) “Procurement Plan” means the procurement plan for the Project dated 26 September 2008 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;

(o) "Project Executing Agency" for the purposes of, and within the meaning of, the Loan Regulations means LGED or any legal successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(p) "Project facilities" means the equipment and facilities to be provided or rehabilitated under the Project;

(q) "RRP" means the Report and Recommendation of the ADB President to the ADB Board for the Project;

(r) "TLCC" means town level coordination committee;

(s) "UGIAP" means the urban governance improvement action program, agreed between the Borrower and ADB;

(t) "UMSU" means urban management support unit, referred to in paragraph 6 of Schedule 5 to this Loan Agreement;

(u) "WLCC" means ward level coordination committee; and

(v) "Works" means construction or civil works to be financed out of the proceeds of the Loan, 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 fifty-five million four hundred forty-five thousand Special Drawing Rights (SDR 55,445,000).

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 make the proceeds of the Loan available to the Pourashavas covered under the Project on the following terms and conditions: (a) the financing for civil works and equipment for revenue generating subprojects, in particular water supply, bus and truck terminals, and markets, shall be provided in a blend of 50% loan and 50% grant for Class A Pourashavas, and a blend of 30% loan and 70% grant for Class B Pourashavas; the loan portion shall be made available to the Pourashavas through a subsidiary loan agreement between the Finance Division, Ministry of Finance, and the concerned Pourashava, whereby the loan shall be denominated in local currency, have an interest charge of 4% per annum, and a repayment period of 20 years, including a 5-years grace period, and whereby the Borrower shall bear the foreign exchange risk; (b) the financing of all subprojects other than those mentioned in (a) shall be on a 100% grant basis. The Borrower shall cause the Pourashavas to apply such proceeds to the financing of the 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 2015 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 six 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

Effectiveness

Section 5.01. 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 VI

Miscellaneous

Section 6.01. The Secretary of the Economic Relations Division of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. 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:

(8802) 8113088.

For ADB

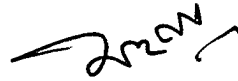
Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Facsimile Numbers:

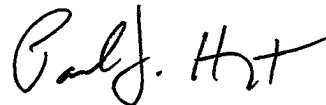
(632) 636-2444
(632) 636-2293.

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
Authorized Representative

ASIAN DEVELOPMENT BANK

By 
PAUL J. HEYTENS
Country Director
Bangladesh Resident Mission

SCHEDULE 1

Description of the Project

1. The expected impact of the Project is sustained improvement in the urban environment and the quality of life in the target Pourashavas. The Project's envisioned outcome is improved urban governance and expanded access to infrastructure and services in the target Pourashavas.

2. The Project shall consist of the following components:

1. Component A: Urban Infrastructure and Service Delivery

Component A shall include the construction, rehabilitation, expansion, and implementation of subprojects in the following areas, both in slum and non-slum locations: (a) municipal transport; (b) drainage systems; (c) solid waste management; (d) water supply; (e) sanitation; (f) municipal facilities; and (g) operation and maintenance of physical assets provided under the Project.

2. Component B: Governance Improvement and Capacity Development

Component B shall include the implementation of reform activities in the following key areas defined in the UGIAP: (a) citizen awareness and participation; (b) urban planning; (c) women's participation in Pourashava governance; (d) integration of the urban poor; (e) financial accountability and sustainability; and (f) administrative transparency.

3. Component C: Project Management and Implementation Support

Component C shall include support for overall Project management and implementation.

3. Components B and C shall also include the provision of consulting services. The Project is expected to be completed by 31 December 2014.

SCHEDULE 2

Amortization Schedule
(Second Urban Governance and Infrastructure Improvement (Sector) Project)

<u>Payment Due Date</u>	<u>Payment of Principal *</u> (expressed in SDR)
15-Apr-2017	1,155,104.00
15-Oct-2017	1,155,104.00
15-Apr-2018	1,155,104.00
15-Oct-2018	1,155,104.00
15-Apr-2019	1,155,104.00
15-Oct-2019	1,155,104.00
15-Apr-2020	1,155,104.00
15-Oct-2020	1,155,104.00
15-Apr-2021	1,155,104.00
15-Oct-2021	1,155,104.00
15-Apr-2022	1,155,104.00
15-Oct-2022	1,155,104.00
15-Apr-2023	1,155,104.00
15-Oct-2023	1,155,104.00
15-Apr-2024	1,155,104.00
15-Oct-2024	1,155,104.00
15-Apr-2025	1,155,104.00
15-Oct-2025	1,155,104.00
15-Apr-2026	1,155,104.00
15-Oct-2026	1,155,104.00
15-Apr-2027	1,155,104.00
15-Oct-2027	1,155,104.00
15-Apr-2028	1,155,104.00
15-Oct-2028	1,155,104.00
15-Apr-2029	1,155,104.00
15-Oct-2029	1,155,104.00
15-Apr-2030	1,155,104.00
15-Oct-2030	1,155,104.00
15-Apr-2031	1,155,104.00
15-Oct-2031	1,155,104.00
15-Apr-2032	1,155,104.00
15-Oct-2032	1,155,104.00
15-Apr-2033	1,155,104.00
15-Oct-2033	1,155,104.00
15-Apr-2034	1,155,104.00
15-Oct-2034	1,155,104.00
15-Apr-2035	1,155,104.00
15-Oct-2035	1,155,104.00
15-Apr-2036	1,155,104.00
15-Oct-2036	1,155,104.00
15-Apr-2037	1,155,104.00

<u>Payment Due Date</u>	<u>Payment of Principal *</u> <u>(expressed in SDR)</u>
15-Oct-2037	1,155,104.00
15-Apr-2038	1,155,104.00
15-Oct-2038	1,155,104.00
15-Apr-2039	1,155,104.00
15-Oct-2039	1,155,104.00
15-Apr-2040	1,155,104.00
15-Oct-2040	1,155,112.00
Total	55,445,000.00

* 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 relevant provisions of the Special Operations 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 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 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 and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Percentages of ADB Financing

2. Except as ADB may otherwise agree, the items of the Categories and Subcategories 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 6 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

4. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, in consultation with the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, in consultation with the Borrower, reallocate such excess amount to any other Category.

Disbursement Procedures

5. 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 Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at the Bangladesh Bank, as well as a second generation imprest account – referred to as Project Operating Account in the Borrower's financial system - at a commercial bank selected in accordance with the Borrower's procedures and acceptable to ADB. The imprest accounts 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 in the Bangladesh Bank shall be dollar. 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) immediately after the Effective Date, each Pourashava shall establish a third generation imprest account (TGIA) – referred to as Project Account in the Borrower's financial system - at a commercial bank selected in accordance with the Borrower's procedures and acceptable to ADB. The TGIA 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 initial amount to be deposited into each TGIA shall not exceed the equivalent of six months estimated expenditures. The aggregate of the TGIAs shall not exceed the equivalent of ten (10) percent of the Loan amount.

(c) 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 the equivalent of \$100,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Second Urban Governance and Infrastructure Improvement (Sector) Project)				
CATEGORY				ADB FINANCING
Number	Item	Amount Allocated SDR		Percentage and Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Civil Works	35,097,000		86.5 percent of total expenditure
2	Equipment and Vehicles	5,858,000		
2A	Equipment and Vehicles under Component A		5,185,000	100 percent of total expenditure*
2B	Equipment and Vehicles under Component C		673,000	100 percent of total expenditure*
3	Consulting Services	6,263,000		100 percent of total expenditure*
4	Capacity Development, Workshops and Campaigns	830,000		100 percent of total expenditure*
5	Recurrent Costs	961,000		20 percent of total expenditure
6	Interest Charge	1,856,000		100 percent of amount due
7	Unallocated	4,580,000		
	Total	55,445,000		

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

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, in particular the Borrower's Public Procurement Regulations (2008), 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.
6. Community Participation in Procurement. The Borrower may use community participation in procurement for Works contracts in slums and low-income areas in accordance with the agreed procedures set out in the Procurement Plan.

C. Selection of Consulting Services

7. Quality- and Cost-Based Selection. Except as ADB may otherwise agree, the Borrower shall apply quality- and cost-based selection for selecting and engaging consulting services.

8. The Borrower shall recruit individual consultants for (a) benefit and performance monitoring and evaluation; (b) support for regional UMSUs; (c) designing a public awareness campaign; (d) support for equipment procurement; and (e) support for accounting, 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

Project Implementation and Other Matters

A. Responsibilities for Project Management and Implementation

1. Executing Agency

1. LGED shall be the Executing Agency of the Project, under the overall supervision of LGD.

2. Inter-ministerial Steering Committee

2. The inter-ministerial steering committee established under the first ADB-funded Urban Governance and Infrastructure Improvement Project (Loan No. 1947-BAN(SF)), chaired by the Secretary of LGD and comprising senior-level representatives from LGD, LGED, the Planning Commission, the Economics Relations Division and the Finance Division of the Ministry of Finance, the Implementation Monitoring and Evaluation Division of the Ministry of Planning, the National Institute for Local Government, the Department of Public Health Engineering, the Ministry of Women and Children Affairs, and representatives of the Pourashavas shall be expanded to include the Department of Environment. Its terms of reference shall be expanded to include supervision of the Project. The inter-ministerial steering committee shall meet whenever necessary but no less than once every three months to review the progress of the Project and guide its future direction.

3. Project Management Office

3. Within one month of the Effective Date, the Borrower shall have established a PMO which at all times during Project implementation shall be led by a full-time Project Director (PD) at the level of an executive engineer. The PD of the Project shall be charged exclusively with the implementation of the Project and shall have no other duties within LGED. The PD shall be supported by two full-time Deputy Project Directors, one for the urban infrastructure and service delivery improvement component, and one for the governance improvement and capacity development component.

4. The Borrower shall ensure that the PMO shall (i) prepare the overall Project implementation plan and consolidated annual work plan; (ii) assist the Pourashavas in implementing the UGIAP; (iii) assist the Pourashavas in implementing physical works and ensuring the quality of the works; (iv) monitor and supervise all Project implementation activities; (v) manage and supervise consultants under the Project; (vi) ensure compliance of all PIUs with loan assurances, including but not limited to those related to safeguards; and (vii) prepare necessary progress reports and the Project completion report.

4. Project Implementation Units

5. The Borrower shall ensure that in each Pourashava, a PIU shall be established within three months of the Effective Date. The PIU shall be headed by the Pourashava Mayor, who shall be assisted by the Chief Executive Officer. Each PIU shall comprise three sections: (i) the infrastructure improvement section, headed by the Executive Engineer or the Assistant Engineer, as the case may be; (ii) the urban governance improvement section, headed by the

Secretary of the Pourashava; and (iii) the environmental, sanitation, and slum improvement section, headed by the Health Officer. The PIU shall be located within the Pourashava office and be responsible for (i) preparing the detailed annual work plan for the respective Pourashava; (ii) implementing the governance improvement activities specified in the UGIAP, including the preparation and implementation of the PDP, GAP, and PRAP; (iii) implementing physical works, including the preparation of bid documents as well as procurement and supervision of contractors; and (iv) preparing progress reports for submission to the PMO.

5. Urban Management Support Unit

6. The UMSU established under the first ADB-funded Urban Governance and Infrastructure Improvement Project (Loan No. 1947-BAN(SF)) shall remain in place and provide support for the Project. The UMSU shall be headed by the Superintending Engineer of the Urban Management Wing of LGED. The Additional Chief Engineer (Urban Management) of LGED shall be responsible for the coordination of activities between the UMSU and the PMO. The UMSU shall be responsible for providing standard training modules to all Pourashavas. The UMSU shall function as the secretariat for the municipal performance review committee which shall be responsible for assessing the performance of the Pourashavas.

B. Project Implementation

7. The Borrower shall ensure that all executing and implementing agencies identified in this Schedule and to whom certain Project implementation matters are entrusted, shall comply with these obligations in a timely manner.

1. Financial and Personnel Matters

8. The Borrower shall provide all required and agreed counterpart funds for Project implementation on time. To that end, LGED shall make timely submissions of annual budgetary appropriation requests and ensure prompt disbursement of such appropriated funds.

9. Within six months of the Effective Date, each PIU of a Class A Pourashava shall have an urban planner in place. LGD shall ensure that this position shall remain filled throughout the duration of Project implementation.

10. LGD shall take all appropriate and necessary measures to ensure that at all times during Project implementation, the PIUs shall have at least 80% of all positions filled.

11. The Borrower shall take all appropriate and necessary measures, including through bonding arrangements in line with the Borrower's policy and guidelines, to ensure that Pourashava officials who receive training under the Project shall not be transferred out of the Pourashavas covered under the Project for the duration of the Project implementation.

2. Subproject Appraisal and Selection

12. LGED shall allocate all investment funds among Pourashavas in accordance with the guidelines agreed upon between LGED, ADB, and other cofinanciers, as set out in Appendix 6 to the RRP for the Project.

13. LGED shall ensure that all subprojects are selected and implemented in accordance with the subproject selection criteria agreed upon between LGED, ADB, and other cofinanciers, as set out in Appendix 5 to the RRP for the Project.

14. LGED shall ensure that at least 5% of the investment funds allocated to a particular Pourashava shall be earmarked and spent on basic services for the poor in slums.

15. LGED shall ensure that there shall be no overlap of activities or programs between ADB-funded subprojects and projects funded by other development partners.

3. Policy Related Matters

16. Within one year of the Effective Date, the Borrower shall have approved the Urban Sector Policy. Within six months of the approval of the Urban Sector Policy, the Borrower shall have approved its implementing rules.

17. The Borrower shall ensure that the birth registration requirements of the 2004 Birth and Death Registration Act and its implementing rules shall not be an impediment for citizens, including the poor, to obtaining urban services, in particular utility connections.

4. Social Inclusion Issues

18. The guidelines for the PDPs shall include specific provisions for the representation of women and of the urban poor in the TLCC and WLCCs in each Pourashava. Each TLCC shall have at a minimum seven representatives of urban poor, and each WLCC at least two. These representatives shall be appointed by the respective TLCC or WLCC chairperson, after nomination by the urban poor themselves, and shall include the chairperson of the slum improvement committee, where such committee exists, as well as representatives from CBOs. In addition, at least 17 of TLCC members and 4 of WLCC members shall be women.

19. LGED shall ensure that gender issues shall be duly considered in Project implementation in accordance with the Project's GAP. LGED shall ensure that sufficient resources shall be allocated to ensure the timely and effective implementation of such plan.

5. Safeguard Matters

20. The Borrower shall ensure that sufficient funds to cover the costs of land acquisition and involuntary resettlement shall be made available in a timely manner.

21. LGED shall ensure that all land and right-of-way required shall be made available in a timely manner, and that compensation at replacement value and other entitlements shall be paid to affected people prior to the award of any civil works contract. LGED shall ensure that any involuntary resettlement and land or asset acquisition shall be in full compliance with (a) the resettlement framework agreed upon between LGED and ADB, and (b) the resettlement plan for the subproject. LGED shall ensure that all Pourashavas shall publicly disclose the draft resettlement plan for any subproject, in places and using language accessible to all affected people, prior to submission of such plan to ADB for ADB's review, approval, and disclosure on ADB's website. Immediately upon receiving external monitoring reports, LGED shall submit such reports to ADB for disclosure on its website.

22. LGED shall ensure that the preparation and implementation of all subprojects shall fully comply with ADB's Environment Policy (2002), as well as with relevant national and local environmental laws and regulations. All mitigation and monitoring mechanisms set out in the initial environmental examinations as well as the entire environmental assessment and review procedures shall be fully complied with throughout Project implementation. LGED shall ensure that environmental requirements shall be incorporated in bidding documents and civil work contracts.

23. LGED shall ensure that the preparation and implementation of all subprojects shall fully comply with ADB's Policy on Indigenous People (1998), as well as with the Indigenous Peoples Development Framework for the Project, agreed upon between LGED and ADB, as set out in supplementary appendix N to the RRP for the Project.

24. The Borrower shall ensure that all civil works contractors comply with all applicable labor laws, do not employ child labor as defined in national legislation for construction and maintenance activities, and do not differentiate wages between men and women for work of equal value.

6. Anticorruption Measures

25. Within six months of the Effective Date, LGED shall have created a Project website, including for procurement matters. The website shall disclose at least the following information: (a) the list of participating bidders; (b) the name of the winning bidder; (c) the details on the bidding procedures adopted; (d) the amount of the contracts awarded; and (e) the goods and services procured.

26. Pourashavas shall provide all TLCC members with information on procurement matters disclosed on the procurement website mentioned in paragraph 25 above.

7. Project Reviews

27. LGED, ADB, and co-financiers shall jointly review the Project twice a year.

28. Within three years of the Effective Date, LGED, ADB, and cofinanciers shall jointly conduct a comprehensive midterm review (MTR) of Project implementation. The MTR shall (i) evaluate the Project scope, design, and implementation arrangements; (ii) evaluate the progress made on physical and governance improvements; (iii) review in detail the level of implementation of the PDP, including the GAP and PRAP, and the extent to which women and urban poor have been included in the implementation of the Project; (iv) evaluate the effectiveness of the training programs provided by the PMO and UMSU; (v) review the staffing of the Pourashavas; (vi) assess Pourashavas' performance against performance indicators; (vii) evaluate the performance of all committees established under the Project; (viii) review compliance with loan covenants; and (ix) identify critical issues and constraints, if any, and make recommendations in any or all of the above areas. At the latest one month prior to the MTR, LGED shall submit to ADB a comprehensive report on each of the above-mentioned issues.

8. Project Performance Monitoring System

29. Within nine months of the Effective Date, the PMO shall have collected the initial baseline physical and socio-economic information and shall have submitted for ADB's review and concurrence a detailed implementation plan for monitoring performance and for preparing benchmark information. Where appropriate, data shall be segregated by gender.