
LOAN NUMBER 2566-BAN(SF)

LOAN NUMBER 2567-BAN(SF)

LOAN AGREEMENT
(Special Operations)

(Public Expenditure Support Facility Program)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 26 OCTOBER 2009

LPS:BAN 43157

LOAN AGREEMENT (Special Operations)

LOAN AGREEMENT dated 26 October 2009 between PEOPLE'S REPUBLIC OF BANGLADESH (hereinafter called the Borrower) and ASIAN DEVELOPMENT BANK (hereinafter called ADB).

WHEREAS

(A) ADB has received from the Borrower a development policy letter dated 25 August 2009 (hereinafter called the Policy Letter), setting forth certain objectives, policies and actions, described in Schedule 1 to this Loan Agreement, designed to help the Borrower's public expenditure management (hereinafter called the Program);

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

(C) by an agreement of even date herewith between the Borrower and ADB (hereinafter called the Ordinary Operations Loan Agreement), ADB has agreed to lend to the Borrower from ADB's ordinary capital resources the amount of one hundred million Dollars (\$100,000,000) for the purposes of the Program;

(D) by an agreement of even date herewith between the Borrower and ADB (hereinafter called the CSF Loan Agreement), ADB has agreed to lend to the Borrower from ADB's CSF resources the amount of five hundred million Dollars (\$500,000,000) for the purposes of stimulating the Borrower's economic recovery; and

(E) ADB has, on the basis inter alia of the foregoing, agreed to make two loans 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 the provisions of the Special Operations Loan Regulations of ADB, dated 1 January 2006 (hereinafter called 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, subject, however, to the following modifications:

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

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

(b) The term "Project" wherever it appears in the Loan Regulations shall be deemed to refer to the Program provided hereunder.

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

26. "Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Loan Agreement. The term "Project Executing Agency" wherever it appears in the Loan Regulations shall be deemed to refer to the Program Executing Agency provided hereunder.

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

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

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

(a) "Counterpart Funds" means the Taka proceeds accruing to the Borrower and generated from the Loan proceeds under the Program, as referred to in paragraph 7 of Schedule 5 to this Loan Agreement;

(b) "CSF" means the Countercyclical Support Facility;

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

(d) "Eligible Items" means the goods imported under the Program (except those specifically excluded pursuant to the Attachment 1 to Schedule 3 to this Loan Agreement), the foreign exchange costs of which are eligible for financing out of the proceeds of the Loan;

(e) "ERD" means the Economic Relations Division of MOF, and any successor thereto;

(f) "First Tranche" means the portion of the proceeds of (i) Loan A in an amount not exceeding the equivalent of \$60,000,000, (ii) Loan B in an amount not exceeding the equivalent of \$27,500,000, and (iii) the OCR Loan in an amount not exceeding \$60,000,000; all not exceeding the equivalent of \$147,500,000 to be initially withdrawn and utilized;

(g) "Fiscal Year" or "FY" means the fiscal year of the Borrower, in relation to any year, the twelve (12) month period starting from 1 July of such year and ending on 30 June of the following year;

(h) "iBAS" means the integrated budget and accounting system;

(i) "IMED" means the Implementation Monitoring and Evaluation Division of MOP, and any successor thereto;

(j) "Implementing Agencies" or "IAs" means the Finance Division of MOF, NBR, MFDM, MOWCA, LGD, IMED, the Socioeconomic Infrastructure Division of the Planning Commission of MOP, MOC, MOCOM, and Power Division and Energy and Mineral Resources Division of MPEMR, as described in paragraph 1 of Schedule 5 to this Loan Agreement;

(k) "LGD" means the Local Government Division of MLGRD&C, and any successor thereto;

(l) "MDG" means millennium development goals;

(m) "MFDM" means the Borrower's Ministry of Food and Disaster Management, and any successor thereto;

(n) "MLGRD&C" means the Borrower's Ministry of Local Government, Rural Development and Cooperatives, and any successor thereto;

(o) "MOC" means the Borrower's Ministry of Commerce, and any successor thereto;

(p) "MOCOM" means the Borrower's Ministry of Communications, and any successor thereto;

(q) "MOF" means the Borrower's Ministry of Finance, and any successor thereto;

(r) "MOP" means the Borrower's Ministry of Planning, and any successor thereto;

(s) "MOWCA" means the Borrower's Ministry of Women and Children Affairs, and any successor thereto;

(t) "MPEMR" means the Borrower's Ministry of Power, Energy, and Mineral Resources, and any successor thereto;

(u) "MTBF" means the Borrower's Medium-Term Budget Framework;

- (v) "MTMF" means the Borrower's Medium-Term Macroeconomic Framework;
- (w) "NBR" means the National Board of Revenue under MOF, and any successor thereto;
- (x) "NSAPR" means the Borrower's National Strategy for Accelerated Poverty Reduction;
- (y) "OCR Loan" means the loan referred to in Recital (C) of this Loan Agreement;
- (z) "O&M" means operations and maintenance;
- (aa) "PFM" means public financial management;
- (bb) "Planning Commission" means the Planning Commission of MOP, and any successor thereto;
- (cc) "Policy Matrix" means the policy matrix attached to the Policy Letter as agreed between the Borrower and ADB;
- (dd) "PPP" means public-private partnership;
- (ee) "Program Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, MOF, as described in paragraph 1 of Schedule 5 to this Loan Agreement;
- (ff) "Program Period" means the period from 30 September 2009 to 31 December 2010;
- (gg) "Program Steering Committee" or "PSC" means the committee set up by the Borrower for the purpose of Program implementation, as described in paragraph 2 of Schedule 5 to this Loan Agreement;
- (hh) "Second Tranche" means, after the utilization of the First Tranche under the Program, the portion of the proceeds of (i) Loan A in an amount not exceeding the equivalent of \$40,000,000, (ii) Loan B in an amount not exceeding the equivalent of \$17,350,000, and (iii) the OCR Loan in an amount not exceeding \$40,000,000, all in an amount not exceeding the equivalent of \$97,350,000 to be withdrawn, subject to meeting the conditions set forth in paragraph 6 of Schedule 3 to this Loan Agreement;
- (ii) "SME" means small and medium enterprise;
- (jj) "SSNP" means the Borrower's social safety net program; and
- (kk) "Taka" or the sign "Tk" means taka in the currency of the Borrower.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources two loans: (i) one in an amount in various currencies equivalent to sixty four million thirty six thousand Special Drawing Rights (SDR64,036,000) (hereinafter called Loan A), and (ii) the other in an amount in various currencies equivalent to twenty eight million seven hundred twenty thousand Special Drawing Rights (SDR28,720,000) (hereinafter called Loan B and, together with Loan A, the Loans).

Section 2.02. (a) In respect of Loan A withdrawn from the Loan Account (hereinafter called Loan Account A) and outstanding from time to time, 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.

(b) In respect of Loan B withdrawn from the Loan Account (hereinafter called Loan Account B and, together with Loan Account A, the Loan Accounts) and outstanding from time to time, the Borrower shall pay to ADB an interest charge at the rate of one and six-tenths percent (1.6%) per annum during the grace period and for each interest period thereafter.

(c) The term "grace period" as used in paragraphs (a) and (b) of this Section means the period prior to the first Principal Payment Date in respect of each of the Loans in accordance with the amortization schedule set forth in Schedule 2A to this Loan Agreement for Loan A and Schedule 2B to this Loan Agreement for Loan B.

Section 2.03. The interest charge and any other charge on the Loans shall be payable semiannually on 1 February and 1 August in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loans withdrawn from the Loan Accounts in accordance with the amortization schedule set forth in Schedule 2A to this Loan Agreement for Loan A and Schedule 2B to this Loan Agreement for Loan B.

Section 2.05. The currency of repayment of the principal of the Loans and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loans to be applied to the financing of expenditures on the Program in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loans may be withdrawn from the Loan Accounts only for the purposes of financing foreign currency expenditures incurred for Eligible Items in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all Eligible Items to be financed out of the proceeds of the Loans shall be procured in accordance with the provisions of Schedule 4 to this Loan Agreement.

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

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

Section 3.05. Except as ADB may otherwise agree, no withdrawals shall be made from the Loan Accounts in respect of expenditures for Eligible Items incurred more than one hundred eighty (180) days prior to the Effective Date.

Section 3.06. The Loan Closing Date in respect of each of the Loans for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2011 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Borrower shall maintain, or cause to be maintained, records adequate to identify the Eligible Items financed out of the proceeds of the Loans and to record the progress of the Program.

(b) The Borrower shall enable ADB's representatives to inspect any Program-related records referred to in paragraph (a) above.

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

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

ARTICLE V

Effectiveness

Section 5.01. 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:

- (a) The Borrower shall have satisfied all conditions for the release of the First Tranche, as set out in Attachment 2 to Schedule 3 to this Loan Agreement;
- (b) the Ordinary Operations Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and all conditions precedent to its effectiveness (other than conditions requiring the effectiveness of this Loan Agreement) shall have been fulfilled; and
- (c) the CSF Loan Agreement shall have been duly executed and delivered on behalf of the Borrower and all conditions precedent to its effectiveness (other than conditions requiring the effectiveness of this Loan Agreement) shall have been fulfilled.

Section 5.02. A date thirty (30) 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 ERD 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:

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 Program**

1. The principal objective of the Program is to attain a strong macroeconomic environment with emphasis on private sector development and to increase vulnerable peoples' access to effective service delivery, and the scope includes (i) more effective service delivery, (ii) a conducive investment climate, and (iii) strengthened PFM. The Program is described in more detail in the Policy Letter. The Program will be implemented during the Program Period.

2. In support of the Program:

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

(b) the Counterpart Funds shall be used to finance the local currency costs relating to the implementation of certain programs and other activities consistent with the objectives of the Program, pursuant to the provisions of paragraph 7 of Schedule 5 to this Loan Agreement.

3. The proceeds of the Loans are expected to be utilized by 31 December 2010.

SCHEDULE 2A**Amortization Schedule
(Public Expenditure Support Facility Program – Loan A)**

<u>Payment Due Date</u>	<u>Payment of Principal *</u> (expressed in SDR)
1 February 2018	2,001,125
1 August 2018	2,001,125
1 February 2019	2,001,125
1 August 2019	2,001,125
1 February 2020	2,001,125
1 August 2020	2,001,125
1 February 2021	2,001,125
1 August 2021	2,001,125
1 February 2022	2,001,125
1 August 2022	2,001,125
1 February 2023	2,001,125
1 August 2023	2,001,125
1 February 2024	2,001,125
1 August 2024	2,001,125
1 February 2025	2,001,125
1 August 2025	2,001,125
1 February 2026	2,001,125
1 August 2026	2,001,125
1 February 2027	2,001,125
1 August 2027	2,001,125
1 February 2028	2,001,125
1 August 2028	2,001,125
1 February 2029	2,001,125
1 August 2029	2,001,125
1 February 2030	2,001,125
1 August 2030	2,001,125
1 February 2031	2,001,125
1 August 2031	2,001,125
1 February 2032	2,001,125
1 August 2032	2,001,125
1 February 2033	2,001,125
1 August 2033	<u>2,001,125</u>
Total	64,036,000

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

SCHEDULE 2B**Amortization Schedule
(Public Expenditure Support Facility Program – Loan B)**

<u>Payment Due Date</u>	<u>Payment of Principal *</u> (expressed in SDR)
1 February 2018	897,500
1 August 2018	897,500
1 February 2019	897,500
1 August 2019	897,500
1 February 2020	897,500
1 August 2020	897,500
1 February 2021	897,500
1 August 2021	897,500
1 February 2022	897,500
1 August 2022	897,500
1 February 2023	897,500
1 August 2023	897,500
1 February 2024	897,500
1 August 2024	897,500
1 February 2025	897,500
1 August 2025	897,500
1 February 2026	897,500
1 August 2026	897,500
1 February 2027	897,500
1 August 2027	897,500
1 February 2028	897,500
1 August 2028	897,500
1 February 2029	897,500
1 August 2029	897,500
1 February 2030	897,500
1 August 2030	897,500
1 February 2031	897,500
1 August 2031	897,500
1 February 2032	897,500
1 August 2032	897,500
1 February 2033	897,500
1 August 2033	<u>897,500</u>
Total	28,720,000

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

SCHEDULE 3**Withdrawal of Loan Proceeds**

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

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

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

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

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

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

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

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

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

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with consistently maintained sound accounting principles. Upon ADB's request, the Borrower shall have the Deposit Account audited by independent auditors, whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with appropriate auditing standards. Promptly after their preparation but in any event not later

than six (6) months after the date of ADB's request, certified copies of such audited accounts and records shall be furnished to ADB, all in the English language.

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

5. The First Tranche shall be released as soon as reasonably practicable following the Effective Date.

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

List of Ineligible Items

1. Loan proceeds will finance the foreign currency expenditures for the reasonable cost of imported goods except the following:

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

Table A12: Ineligible Items

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

Source: United Nations.

- (ii) expenditures in the currency of the Borrower or of goods supplied from the territory of the Borrower;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics; and
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party; and
- (vii) expenditures on account of any payment prohibited by the Borrower in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

Conditions for Release of the First Tranche

In order to release the Loan proceeds, the following policy actions shall have been complied with:

A. More effective service delivery

1. The Borrower shall have enacted the Right to Information Act, 2009;
2. The Borrower shall have enacted the Consumers' Right Protection Act, 2009;
3. The Borrower shall have introduced and expanded existing social safety net programs for vulnerable people;
4. The Borrower shall have introduced a new Employment Generation Program for the Hardcore Poor;
5. The Borrower shall have finalized gender budgeting guidelines to ensure greater transparency and accountability of the share of expenditure for women development;
6. The Borrower shall have submitted the Budget report entitled Women's Advancements and Rights in Four Ministries' Activities to Parliament; and
7. The Borrower shall have finalized operational plans to establish a reliable food security system.

B. Conducive investment climate

1. The Borrower shall have prepared a position paper on implementing PPPs for investment and operation;
2. The Borrower shall have allocated funds for the Viability Gap Fund for enhancing the bankability of projects, attracting private capital, and mobilizing private sector efficiencies;
3. The Borrower shall have allocated funds for the Technical Assistance Fund for financing PPP project preparation activities such as conducting feasibility studies for suitable PPP projects;
4. The Borrower shall have allocated funds for the PPP Infrastructure Investment Fund to finance on loan or equity basis bankable PPP projects;
5. The Borrower shall have allocated funds to provide refinancing facilities against loans disbursed by commercial banks and other financial institutions in SME and housing sector;
6. The Borrower shall have enacted the Money Laundering Prevention Act, 2009;
7. The Borrower shall have set up the Bangladesh Institute of Capital Market; and

8. The Borrower shall have extended merchant banking facilities to the existing 3 state owned commercial banks.

C. Strengthened PFM

1. The Borrower shall have divested part of its shares in Jamuna Oil and Meghna Oil;
2. The Borrower shall have converted Bangladesh Biman into a limited liability company under the Company Act and have enacted the Bangladesh Biman Corporation (Amendment) Act, 2009;
3. The Borrower shall have converted the Bangladesh Telegraph and Telephone Board into a limited liability company under the Company Act and will have enacted the Bangladesh Telegraph and Telephone Board (Amendment) Act, 2009;
4. The Borrower shall have enacted the amendment to the Income Tax Ordinance;
5. The Borrower shall have enacted the National Board of Revenue (Amendment) Act, 2009;
6. The Borrower shall have extended the coverage of the Integrated Budgeting and Accounting System to at least 55 of the 64 district account offices under MOF;
7. The Borrower shall have put in place and implemented a Debt Service Liability Management System in MOF;
8. The Borrower shall have rolled out the adoption of the MTBF to 20 government ministries;
9. The Borrower shall have established the Macroeconomic Wing in Finance Division, MOF; and
10. The Borrower shall have introduced a system of reduced corporate tax rates for industries in certain sectors in lieu of the existing tax holidays schemes.

Conditions for Release of Second Tranche

A. More effective service delivery

1. The Borrower shall have implemented the Right to Information Act, by establishing a commission responsible for implementing the Right to Information Act, approving the organization structure of the commission, and appointing the operational staff;
2. The Borrower shall have implemented the Consumers' Rights Protection Act, 2009, by establishing the National Consumers' Rights Protection Council, conducting an awareness campaign of the Act, earmarking funds from the block allocations in the FY2010 budget for the Council and its activities;
3. The Borrower shall have expended at least 60% of the budget allocated for the Employment Generation Program for the Hardcore Poor;
4. The Borrower shall have finalized an action plan to put in place Citizens' Charters in public sector organizations;
5. The Borrower shall have finalized an operational plan on preparing a comprehensive list of hardcore poor and other vulnerable people so that targeted assistance of social safety nets is more effective; and
6. The Borrower shall have implemented the budgeting guidelines to ensure greater transparency and accountability of the share of expenditure for women development in at least 20 ministries that have adopted MTBF.

B. Conducive investment climate

1. The Borrower shall have revised and reissued the 2004 Private Sector Infrastructure Guidelines;
2. The Borrower shall have established, and made operational, the PPP Cell, to be located in one of the Borrower's Ministries;
3. The Borrower shall have conducted review on the progress of PPPs in infrastructure in Bangladesh, including assessing the legal and institutional frameworks for PPPs, and will have made public the review report in the MOF website;
4. The Borrower shall have finalized and established a financial institution created by the merger of Bangladesh Shilpa Bank and Bangladesh Shilpa Rin Shangstha, for enhanced financing to the private sector, including for SME development; and
5. The Borrower shall have prepared an action plan to support the SME centers, women entrepreneurship, and one-stop facility, and will have made the plan public in the MOF website.

C. Strengthened PFM

1. The Borrower shall have finalized the revised National Strategy for Accelerated Poverty Reduction II (NSAPR II) (FY2010-FY2011);
2. The Borrower shall have finalized plans for expanding the tax base by identifying new tax payers through surveys covering cities, districts and upazila levels;
3. The Borrower shall have issued policy directives and prepared an action plan to improve the quality and timely submission of the annual accounts of government agencies;
4. The Borrower shall have finalized plans to present district level budget in at least one district of each administrative division in the country;
5. The Borrower shall have established a Budget and Planning Wing or Branch in at least 5 Ministries in which MTBF has been adopted;
6. The Borrower shall have established a task force to enhance monitoring of the major annual development plan (ADP) projects;
7. The Borrower shall have reviewed and revised the development project approval process; and
8. The Borrower shall have implemented the recommendations made by the Pay Commission on civil servant salary increase.

SCHEDULE 4

Procurement

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraph of this Schedule shall apply in the procurement of Eligible Items to be financed out of the proceeds of the Loans.

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

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

SCHEDULE 5

Program Implementation and Other Matters

Program Executing Agency and Implementing Agencies

1. (a) The Borrower shall be responsible for the coordination and execution of the Program with the various concerned departments and agencies of the Borrower.

(b) Without limiting the generality of the foregoing subparagraph, MOF shall be the Program Executing Agency and shall be responsible for the overall implementation of the Program, including compliance with all policy actions, facility administration, disbursements and maintenance of records. Furthermore, MOF shall be responsible for day-to-day program implementation activities, report implementation progress and provide guidance and direction to the IAs. A Joint Secretary of the Finance Division of MOF shall act as the Program Director. The Program Implementing Agencies shall be responsible for complying with the policy actions.

(c) The Borrower shall (i) use its best endeavor to ensure that critical Program staff shall remain in their position on a full-time basis for a reasonable duration to ensure continuity in the implementation of the Program; and (ii) ensure that all IAs will be adequately staffed and provided with the necessary financial, technical, and other resources to perform their functions under the Program.

Program Steering Committee

2. The Program Steering Committee shall be: (a) the body responsible for overall direction, guidance, monitoring and providing an oversight role under the Program; and (b) chaired by the Secretary of the Finance Division of MOF. The PSC shall consist of representatives, not below the rank of Joint Secretary, from each of the IAs and the ERD. The PSC shall meet, as and when necessary, at least once every quarter to discuss the progress of the Program and review macroeconomic conditions to ensure continued stability.

Policy Actions

3. The Borrower shall (a) ensure that all policies adopted and actions taken under the Program, as set forth in the Policy Letter and the Policy Matrix prior to the date of this Loan Agreement, shall continue to be in effect for and beyond the duration of the Program, (b) promptly adopt and implement the policies and actions included in the Program as set forth in the Policy Letter and the policy Matrix, and (iii) make submissions to ADB on the completion of actions under the Policy Matrix by reference to the indicators set out in the Policy Matrix.

Policy Dialogue

4. The Borrower shall keep ADB informed of, and the Borrower and ADB shall from time to time exchange views on, the progress made in carrying out the policies and actions set out in the Policy Letter and the Policy Matrix and in the formulation and implementation of new related policies.

5. The Borrower and ADB shall promptly discuss problems and constraints encountered during the implementation of the Program and appropriate measures to overcome or mitigate such problems and constraints.

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

Counterpart Funds

7. The Borrower shall ensure that the Counterpart Funds are used to finance the local currency cost relating to the implementation of the Program and other activities consistent with the objectives of the Program and shall provide the necessary budget appropriation to finance the structural adjustment costs relating to the implementation of reforms under the Program, including (i) revenue mobilization measures, reforming financial management processes, and application of MTBF, (ii) strengthening the funding and implementations of PPPs, and (iii) delivery of social safety nets.

Program Review

8. The Borrower shall undertake periodic reviews during Program implementation to evaluate the scope, implementation arrangements, progress and achievement of the objectives of the Program. In addition to the periodic reviews, a Program review shall take place prior to the Second Tranche release. The Borrower shall ensure that ADB shall have the opportunity to participate in these reviews.

Program Performance Monitoring and Evaluation

9. The Borrower shall monitor the implementation and outcomes of the Program using a set of indicators and targets that has been agreed between the Borrower and ADB to assess progress towards meeting the objectives of the Program. For each of the agreed indicators, progress shall be measured against a baseline in FY2009. The responsible IAs shall review the agreed frameworks every three months to determine progress and identify constraints.

Records of Accounts and Reporting

10. The Borrower shall maintain separate records of account for the Program. To ensure proper fund management, ADB retains the right to audit the use of proceeds of the Loans. The accounts shall be managed, operated, and liquidated in accordance with terms satisfactory to ADB. The Borrower shall prepare a quarterly consolidated progress report on policy and institutional reforms implementation and will forward the same to ADB at the time of submission to the PSC. The reports shall describe progress made in the Program and any changes to the implementation schedule, and will also identify any problems encountered and remedial actions taken. The Borrower shall submit a Program completion report not later than 3 months after Program completion.