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LOAN NUMBER 2878-BAN(SF)

LOAN AGREEMENT  
(Special Operations)

(Urban Primary Health Care Services Delivery Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 26 SEPTEMBER 2012

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BAN 42177

**LOAN AGREEMENT  
(Special Operations)**

LOAN AGREEMENT dated 26 September 2012 between the PEOPLE'S REPUBLIC OF BANGLADESH ("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 ("Project");

(B) the Borrower has also applied to the Swedish International Development Cooperation Agency ("SIDA") for financial assistance for the Project, and SIDA has agreed to provide a grant to the Borrower in an amount not exceeding the equivalent of twenty million Dollars (\$20,000,000) to be fully administered by ADB pursuant to its cofinancing arrangement with SIDA and subject to the terms and conditions of an externally financed grant agreement of even date herewith between the Borrower and ADB;

(C) the Project will be carried out jointly by the City Corporations, the Municipalities and LGD (each as all defined below), and for this purpose the Borrower shall make available to the City Corporations, the Municipalities and LGD the proceeds of the Loan provided for herein upon terms and conditions satisfactory to ADB; and

(D) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and the City Corporations;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

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

(a) Section 2.01(25) is deleted and the following is substituted therefor:

"Project Agreement" means the Project Agreement of even date herewith between ADB and the Implementing Agencies.

(b) The term "Project Executing Agency" appearing in Section 6.01(a), 8.01(d), 8.01(f), 8.01(k), 9.01(c) and 9.02(c) of the Loan Regulations shall be substituted by the term "Implementing Agency".

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations have the respective meanings therein set forth unless modified herein or the context otherwise requires. Additional terms used in this Loan Agreement have the following meanings:

(a) "City Corporation" means each of the city corporations of Barisal, Chittagong, Comilla, Dhaka North, Dhaka South, Khulna, Narayanganj, Rajshahi, Rangpur, and Sylhet established and operating pursuant to the Local Government (City Corporation) Act, 2009 of the Borrower (collectively "City Corporations");

(b) "Consulting Guidelines" means the Guidelines on the Use of Consultants by Asian Development Bank and its Borrowers (2010, as amended from time to time);

(c) "Consulting Services" means the services to be financed out of the proceeds of the Loan as described in paragraph 3 of Schedule 1 to this Loan Agreement;

(d) "CRHC" means comprehensive reproductive health care;

(e) "EARF" means the environmental assessment and review framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(f) "EMP" means an environmental management plan for the Project, including any update thereto, to be prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and cleared by ADB;

(g) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;

(h) "GAP" means the gender action plan prepared for the Project;

(i) "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;

(j) "Grant Agreement" has the meaning provided in Recital B to this Loan Agreement;

(k) "IEE" means an initial environmental examination for the Project, including any update thereto, to be prepared and submitted by the Borrower pursuant to the requirements set forth in the EARF and to be cleared by ADB;

(l) "Implementing Agency" means each of the City Corporations and Municipalities (collectively "Implementing Agencies");

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

(n) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2007, as amended from time to time);

(o) “MOF” means the Ministry of Finance of the Borrower or any successor thereto;

(p) “MOHFW” means the Ministry of Health and Family Welfare of the Borrower or any successor thereto;

(q) “MOLGRDC” means the Ministry of Local Government, Rural Development and Cooperatives of the Borrower or any successor thereto;

(r) “Municipality” means each of the municipalities of Gazipur, Gopalganj, Kishoregonj, Kushtia, Sirajgonj, and Tongi established and operating pursuant to the Municipality Act, 2009 of the Borrower and meeting the eligibility criteria agreed upon between the Borrower and ADB as set forth in the PAM (collectively “Municipalities”);

(s) “National Urban Health Strategy” means the Borrower’s urban health strategy developed with the assistance of ADB-financed small-scale capacity development technical assistance BAN-P43573;

(t) “NGO” means a non-governmental organization involved in PHC;

(u) “PAM” means the project administration manual for the Project dated 23 May 2012 and agreed between the Borrower and ADB, as updated from time to time in accordance with the respective administrative procedures of the Borrower and ADB;

(v) “Part” means each of the components of the Project as described in Schedule 1 to this Loan Agreement;

(w) “Partnership Agreement” means each of the agreements executed or to be executed between the Implementing Agency and a private sector party, which may include NGOs, whereby such private sector party agrees to provide the urban PHC required;

(x) “Partnership Area” means a geographic urban area, within the administrative boundaries of either a City Corporation or Municipality, that has a population of approximately 300,000 for which a Partnership Agreement will be executed;

(y) “PHC” means primary health care;

(z) “PIU” means a project implementation unit established in each Implementing Agency;

(aa) “PMU” means a project management unit established in LGD;

(bb) “PPP” means public-private partnership;

(cc) “Procurement Guidelines” means ADB’s Procurement Guidelines (2010, as amended from time to time);

(dd) “Procurement Plan” means the procurement plan for the Project dated 23 May 2012 and agreed between the Borrower and ADB, as updated from time to time in

accordance with the Procurement Guidelines, the Consulting Guidelines, and other arrangements agreed with ADB;

(ee) “Project Executing Agency” for the purposes of, and within the meaning of, the Loan Regulations means MOLGRDC acting through LGD, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

(ff) “Resettlement Framework” means the resettlement framework for the Project, including any update thereto, prepared and submitted by the Borrower and cleared by ADB;

(gg) “Safeguard Policy Statement” or “SPS” means ADB’s Safeguard Policy Statement (2009);

(hh) “Safeguards Monitoring Report” means each report prepared and submitted by the Borrower to ADB that describes progress with implementation of, and compliance with, the EMP and the Resettlement Framework (as applicable), including any corrective and preventative actions;

(ii) “Taka” means the currency of the Borrower;

(jj) “Urban Health Sustainability Fund” means the fund established on 22 September 2008 pursuant to MOF Memorandum No. EU/AB/BA-12/Pouro-5/04/1492; and

(kk) “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 thirty-two million seven hundred and ninety-eight thousand Special Drawing Rights (SDR32,798,000).

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

(b) The term “grace period” as used in subsection (a) hereinabove means the period prior to the first Principal 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 January and 15 July 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 amount 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, upon terms and conditions satisfactory to ADB, make the proceeds of the Loan available, through timely budget allocations, to:

(a) each of the Implementing Agencies for the purpose of carrying out their respective parts of the Project, and shall cause each of the Implementing Agencies to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement and the Project Agreement; and

(b) LGD for the purpose of carrying out its parts of the Project, and shall cause LGD to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn 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, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 4 to this Loan Agreement.

Section 3.04. Except as ADB may otherwise agree, the Borrower shall cause all items of expenditure financed out of the proceeds of the Loan to be used exclusively in the carrying out of the Project.

Section 3.05. 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 Works 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 3.06. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 December 2017 or such other date as may from time to time be agreed between the Borrower and ADB.

## ARTICLE IV

### Particular Covenants

Section 4.01. In the carrying out 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 and the Project Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes 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 the imprest account(s) and statement of expenditures) and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, auditors' report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project within 30 days of the date of their receipt by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions 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, and any relevant records and documents.

Section 4.04. The Borrower shall take all actions which shall be necessary on its part to enable the Implementing Agencies to perform their obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Borrower shall exercise its rights under the financing arrangements with the Implementing Agencies in such a manner as to protect the interests of the Borrower and ADB and to accomplish the purposes of the Loan.

(b) No rights or obligations under the financing arrangements shall be assigned, amended, or waived without the prior concurrence of ADB.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the Grant Agreement.

Section 5.02. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the event specified in Section 5.01 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following 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: the Grant Agreement has been duly authorized by, executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with its terms, and all conditions precedent to its effectiveness other than the condition requiring the effectiveness of this Loan Agreement shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(d) of the Loan Regulations, to be included in the opinion or opinions to be furnished to ADB: the Grant Agreement has been duly authorized by, executed and delivered on behalf of, the Borrower, and is legally binding upon the Borrower in accordance with its terms.

Section 6.03. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.



**ARTICLE VII**

**Miscellaneous**

Section 7.01. The Senior Secretary of Economic Relations Division of the MOF is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

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

Facsimile Number:

(880) 2 811 3088.

For ADB

Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro 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 as of the day and year first above written and to be delivered at the principal office of ADB.

PEOPLE'S REPUBLIC OF  
BANGLADESH

By



IQBAL MAHMOOD

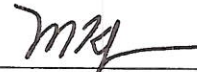
Senior Secretary

Economic Relations Division

Ministry of Finance

ASIAN DEVELOPMENT BANK

By



M. TERESA KHO

Country Director

Bangladesh Resident Mission

## SCHEDULE 1

### Description of the Project

1. The objective of the Project is to establish sustainable good quality urban PHC services delivery in the Partnership Areas, targeting the poor and needs of women and children.

2. The Project shall comprise the following components:

#### **Part A: Strengthening Institutional Governance and Capacity of Local Governments**

- (i) provide support to LGD and its Urban Health Unit for reviewing and updating oversight policies and guidelines, developing guidelines on PPP contract management, and implementing selected aspects of the National Urban Health Strategy;
- (ii) provide support to local governments for strengthening capacity in planning and budgeting for basic social services including PHC services, and contracting and managing PPP projects;
- (iii) provide information technology support and services for (a) an automated health management information system to link monitoring and evaluation facilities of LGD and MOHFW, (b) a geographic information system for mapping of existing health facilities in the Partnership Areas, and (c) incorporating e-learning and assessment in training programs; and
- (iv) support an operations research program on urban health.

#### **Part B: Improving Urban PHC Service Delivery System through PPP**

- (i) provide targeted PHC services through Partnership Agreements in approximately 30 Partnership Areas, training of health workers and supply of drugs and medical equipment; and introduce a performance-based incentive scheme in contract management on a pilot basis; and
- (ii) improve urban PHC infrastructure network by upgrading one CRHC center, and constructing 12 new CRHC centers and 26 PHC centers, with improved design, introducing solar energy efficiency.

#### **Part C: Project Management Support**

- (i) provide support to the PMU and the PIUs in managing urban PHC systems, human resources development, quality assurance, procurement, and financial management;
- (ii) undertake various surveys;

- (iii) establish a computerized financial management information system to streamline project accounting processes; and
  - (iv) establish a training coordination cell in the PMU with responsibilities for detailed review and planning of project capacity development requirements, strategic collaborations with other agencies and training institutes, developing guidelines and implementing the training program under the Project.
3. The Project includes the provision of Consulting Services for implementing Parts A and C as noted above.
4. The Project is expected to be completed by 30 June 2017.

**SCHEDULE 2****Amortization Schedule****(Urban Primary Health Care Services Delivery Project)**

| <u>Date Payment Due</u> | <u>Payment of Principal</u><br>(expressed in Special<br>Drawing Rights) * |
|-------------------------|---|
| 15 January 2021         | 683,292   |
| 15 July 2021            | 683,292   |
| 15 January 2022         | 683,292   |
| 15 July 2022            | 683,292   |
| 15 January 2023         | 683,292   |
| 15 July 2023            | 683,292   |
| 15 January 2024         | 683,292   |
| 15 July 2024            | 683,292   |
| 15 January 2025         | 683,292   |
| 15 July 2025            | 683,292   |
| 15 January 2026         | 683,292   |
| 15 July 2026            | 683,292   |
| 15 January 2027         | 683,292   |
| 15 July 2027            | 683,292   |
| 15 January 2028         | 683,292   |
| 15 July 2028            | 683,292   |
| 15 January 2029         | 683,292   |
| 15 July 2029            | 683,292   |
| 15 January 2030         | 683,292   |
| 15 July 2030            | 683,292   |
| 15 January 2031         | 683,292   |
| 15 July 2031            | 683,292   |
| 15 January 2032         | 683,292   |
| 15 July 2032            | 683,292   |
| 15 January 2033         | 683,292   |
| 15 July 2033            | 683,292   |
| 15 January 2034         | 683,292   |
| 15 July 2034            | 683,292   |
| 15 January 2035         | 683,292   |
| 15 July 2035            | 683,292   |
| 15 January 2036         | 683,292   |
| 15 July 2036            | 683,292   |

| <u>Date Payment Due</u> | <u>Payment of Principal</u><br>(expressed in Special<br>Drawing Rights) * |
|-------------------------|---|
| 15 January 2037         | 683,292   |
| 15 July 2037            | 683,292   |
| 15 January 2038         | 683,292   |
| 15 July 2038            | 683,292   |
| 15 January 2039         | 683,292   |
| 15 July 2039            | 683,292   |
| 15 January 2040         | 683,292   |
| 15 July 2040            | 683,292   |
| 15 January 2041         | 683,292   |
| 15 July 2041            | 683,292   |
| 15 January 2042         | 683,292   |
| 15 July 2042            | 683,292   |
| 15 January 2043         | 683,292   |
| 15 July 2043            | 683,292   |
| 15 January 2044         | 683,292   |
| 15 July 2044            | <u>683,276</u>  |
| <b>TOTAL</b>            | <b>32,798,000</b>   |

\* The arrangements for payment 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 items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

##### Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure 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 7 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, by notice to 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 allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

##### Disbursement Procedures

5. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

Imprest Account and Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish, or cause to be established, immediately after the Effective Date, (i) a first generation imprest account for LGD at the Bangladesh Bank, and (ii) a second generation imprest account for each Implementing Agency at a commercial bank acceptable to ADB (collectively, imprest accounts). 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 imprest accounts shall only be used for the purposes of the Project. The currency of the first generation imprest account shall be the Dollar, and the currency of the second generation imprest accounts shall be the Taka. The aggregate amount to be deposited into the imprest accounts shall not exceed the lower of (i) the estimated expenditure to be financed from the imprest accounts for 6 months of Project implementation, or (ii) the equivalent of 10% of the Loan amount.

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

Retroactive Financing

7. 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 procurement for the Partnership Agreements under Part B of the Project, subject to a maximum amount equivalent to 20% of the Loan amount.



TABLE

| <b>ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS<br/>(Urban Primary Health Care Services Delivery Project)</b> |   |   |                    |  |
|---|---|---|--------------------|--|
| <b>CATEGORY</b>   |   |   |                    | <b>ADB FINANCING</b>   |
| <b>Number</b>   | <b>Item</b>   | <b>Total Amount Allocated for<br/>ADB Financing<br/>(SDR)</b> |                    | <b>Percentage and Basis for<br/>Withdrawal from the Loan<br/>Account</b> |
|   |   | <b>Category</b>   | <b>Subcategory</b> |  |
| 1   | Works   | 10,309,000  |                    | 100% of total expenditure claimed*                                       |
| 2   | Equipment   | 1,615,000   |                    |  |
| 2A  | Vehicles  |   | 610,000            | 100% of total expenditure claimed*                                       |
| 2B  | ICT, Office Equipment & Furniture                                       |   | 1,005,000          | 100% of total expenditure claimed*                                       |
| 3   | Local Training/Workshops  | 353,000   |                    | 45% of total expenditure claimed*  |
| 4   | Consulting Services<br>(Excluding Operations<br>Research)               | 3,294,000   |                    | 100% of total expenditure claimed*                                       |
| 5   | Partnership Agreements<br>(Excluding Performance<br>Incentive Scheme)   | 13,834,000  |                    |  |
| 5A  | Six-month Extension of<br>Existing Contracts in 24<br>Partnership Areas |   | 1,309,000          | 57% of total expenditure claimed*  |
| 5B  | New Contracts   |   | 12,525,000         | 57% of total expenditure claimed*  |
| 6   | Geographic Information<br>System  | 98,000  |                    | 100% of total expenditure claimed*                                       |
| 7   | Interest Charge   | 853,000   |                    | 100% of amounts due  |
| 8   | Unallocated   | 2,442,000   |                    |  |
|   | Total   | 32,798,000  |                    |  |

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

## SCHEDULE 4

### Procurement of Goods, Works and Consulting Services

#### General

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

#### 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:
  - (a) International Competitive Bidding;
  - (b) National Competitive Bidding; and
  - (c) Shopping.
4. 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.

#### Domestic Preference

5. 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.

#### National Competitive Bidding

6. The Borrower and ADB shall ensure that, prior to the commencement of any procurement activity under national competitive bidding, the Borrower's national competitive bidding procedures are consistent with the Procurement Guidelines. Any modifications or clarifications to such procedures agreed between the Borrower and ADB shall be set out in the Procurement Plan. Any subsequent change to the agreed modifications and clarifications shall become effective only after approval of such change by the Borrower and ADB.

#### Conditions for Award of Contract

7. The Borrower shall not award, and shall ensure that an Implementing Agency does not award:

- (a) any Works contract which involves environmental impacts until (i) all government environmental clearances have been obtained for the IEE; (ii) the IEE has been cleared by ADB; and (iii) relevant EMP provisions have been incorporated into the respective Works contract; and
- (b) any Works contract which involves land acquisition or involuntary resettlement impacts until (i) a respective resettlement plan has been prepared pursuant to the Resettlement Framework; (ii) the resettlement plan has been cleared by ADB; and (iii) all affected people under such Works contract have been compensated in accordance with the terms of the resettlement plan.

#### Consulting Services

8. Except as ADB may otherwise agree, or except as set forth in the paragraph below, the Borrower shall apply quality- and cost-based selection for selecting and engaging Consulting Services.

9. The Borrower shall apply the following method for selecting and engaging the specified Consulting Services, in accordance with, among other things, the procedures set forth in the Procurement Plan: Consultants' Qualifications Selection for operations research.

10. The Borrower shall recruit the individual consultants for technical and management support of project implementation in accordance with procedures acceptable to ADB for recruiting individual consultants.

#### Industrial or Intellectual Property Rights

11. (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.

12. 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.

#### ADB's Review of Procurement Decisions

13. Contracts procured under international competitive bidding procedures and contracts for Consulting Services shall be subject to prior review by ADB, unless otherwise agreed between the Borrower and ADB and set forth in the Procurement Plan.

## SCHEDULE 5

### Execution of Project; Financial Matters

#### Implementation Arrangements

1. MOLGRDC acting through LGD, in its capacity as the Project Executing Agency, shall be responsible for overall execution, coordination, and supervision of the Project. The City Corporations and the Municipalities shall implement the Project in their respective Project areas.

2. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Borrower and ADB. In the event of any discrepancy between the PAM and this Loan Agreement or the PAM and the Grant Agreement, the provisions of this Loan Agreement or the Grant Agreement, as applicable, shall prevail.

#### Environment Safeguards

3. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that the preparation, design, construction, implementation, operation and decommissioning of the Project and each subproject under the Project comply with (a) all applicable laws and regulations of the Borrower relating to environment, health, and safety; (b) the Environmental Safeguards; (c) the EARF; and (d) all measures and requirements set forth in the IEE and the EMP, and any corrective or preventative actions set forth in the Safeguards Monitoring Reports.

#### Involuntary Resettlement Safeguards

4. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that all land and all rights-of-way required for the Project are made available to the Works contractor in accordance with schedules agreed under the related Works contracts. The Borrower shall further ensure that the Project does not have any impacts with regards to involuntary resettlement and indigenous peoples within the meaning of the Safeguard Policy Statement. In the event that the Project does have any such impacts, the Borrower shall take, or shall cause each Implementing Agency to take, all steps required to ensure that the Project complies with (a) the applicable laws and regulations of the Borrower, (b) the SPS, and (c) the Resettlement Framework.

#### Human and Financial Resources to Implement Safeguards Requirements

5. The Borrower shall make available, and shall cause each Implementing Agency to make available, necessary budgetary and human resources to fully implement the EMP and the Resettlement Framework, as required.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

6. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures and requirements relevant to the contractor set forth in the IEE, the EMP and the Resettlement Framework (to the extent they concern impacts on affected people during construction), and any corrective or preventative actions set out in a Safeguards Monitoring Report;
- (b) make available a budget for all such environmental and social safeguards measures; and
- (c) provide the Borrower and ADB with a written notice of any unanticipated environmental and other safeguards-related risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the Resettlement Framework.

Safeguards Monitoring and Reporting

7. The Borrower shall do, and shall cause each Implementing Agency to do, the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE, the EMP and the Resettlement Framework, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and
- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP and the Resettlement Framework promptly after becoming aware of the breach.

Prohibited List of Investments

8. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that no proceeds of the Loan are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

Labor Standards

9. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that the core labor standards and all applicable laws and regulations of the Borrower and pertinent occupational health and safety regulations, are complied with during Project implementation. The Borrower shall include, and shall cause each Implementing Agency to include, specific provisions in the bidding documents and contracts financed under the Project requiring that the contractors, other providers of goods and services and their subcontractors: (a) comply with the Borrower's applicable laws and regulations; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation by providing, inter alia, equal pay for men and women or people from different ethnic groups for work of equal value, and to the extent possible, employing women and local people, including disadvantaged people, living in the Project area, provided that the requirements for efficiency are adequately met; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

10. The Borrower shall strictly monitor compliance with the labor standards and provide ADB with regular reports.

Gender and Development

11. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for the implementation of the GAP; and (d) key gender outcome and output targets are monitored regularly and achieved, including, but not limited to the following: (i) at least 75% of beneficiaries receiving PHC services in each Partnership Area are women; (ii) at least 20% of PMU staff are women; (iii) at least 40% of recipients of overseas training under the Project are women; and (iv) monitoring and evaluation data is disaggregated by sex and ethnicity.

Counterpart Support

12. The Borrower shall ensure timely provision of counterpart funds for the Project by making timely submission of annual budgetary appropriation requests and ensuring prompt disbursement of appropriated funds during each year of the Project implementation.

Governance and Anti-Corruption

13. The Borrower shall, and shall cause each Implementing Agency to, (i) comply with ADB's Anticorruption Policy (1998, as amended to date) and acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (ii) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

14. The Borrower shall ensure, and shall cause each Implementing Agency to ensure, that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.

15. The Borrower shall ensure that a website is established and regularly maintained by LGD for the purposes of this Project. The Project website shall communicate Project activities and implementation progress through regular progress reports. The website shall also announce any employment, education, and business opportunities associated with the Project. Such announcements, when dealing with contracts awarded under the Project, shall at least disclose: (a) the list of participating bidders, (b) the name of the winning bidder, (c) the amount of the contracts awarded, and (d) the services procured.

#### National Urban Health Strategy

16. The Borrower shall, by 31 December 2012, commence the implementation of the National Urban Health Strategy which includes the following elements:

- (a) establishing, by 31 December 2013, an urban health unit within LGD with a mandate to oversee public health, environmental health and PHC issues;
- (b) establishing, by 30 June 2014, a permanent high level inter-ministerial coordination structure for coordinating urban health initiatives; and
- (c) issuing, by 30 June 2014, a government order which (i) assigns the overall responsibility of the provision of urban PHC to local governments and clarifies the supporting roles of LGD and MOHFW in this regard; (ii) addresses the issue of increased revenue budget allocation for provision of urban health services, as well as more balanced allocation of resources between LGD and MOHFW, in the next five year plan (2016-2020); and (iii) sets out the eligibility criteria entitlements for health care of the poor population within urban settings.

17. The Borrower shall ensure that, within 24 months of the Effective Date, each Implementing Agency has a reorganization plan to improve organizational capacity of its health department. The reorganization plan shall address staffing levels, job descriptions, career progression of medical officers, and organizational structure of the health department concerned.

18. The Borrower shall ensure that, within 6 months of the Effective Date, LGD and the Implementing Agencies sign a memorandum of understanding (a) detailing their roles and responsibilities during Project implementation, and (b) requiring each Implementing Agency to (i) develop and adopt, by end of 2016, a fiscal plan for sustaining recurrent costs for the provision of urban health services after the Project completion; (ii) contribute, from 2012 onward, at least 1% of its local revenue to the Urban Health Sustainability Fund; and (iii) gradually increase a portion of the general budgetary support block grants provided by the Borrower for pro-poor basic services, including urban PHC and

public health services, so that, by 30 June 2017, such a portion is no less than 20% of the annual block grant allocation.

#### Partnership Agreements

19. The Borrower shall take, and shall cause each Implementing Agency to take, all measures stipulated in the implementation plan, as set forth in Annex 5 to the PAM, to effect, and permit full and effective implementation of, the Partnership Agreements.

#### Training and Study Tours

20. The Borrower shall ensure that selection for all training, study tours and fellowships awarded under the Project conform to the transparent, objective and verifiable selection criteria acceptable to ADB, and the award of any such training, study tour and fellowship is distributed equitably across gender and geographic areas.

#### Health Care Centers

21. The Borrower shall ensure that site selection for all CRHC and PHC centers to be constructed under the Project is based upon (a) safety and privacy concerns of patients, particularly women and children; and (b) convenience for slum dwellers to maximize access for the poor populations. The CRHC and PHC centers for piloting solar energy efficiency and rainwater harvesting shall be selected during the first year of Project implementation based on the criteria to be agreed upon between the Borrower and ADB.