
GRANT NUMBER 0298-BAN(EF)

GRANT AGREEMENT
(Externally Financed)

(Urban Primary Health Care Services Delivery Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 26 SEPTEMBER 2012

BAN 42177

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 26 September 2012 between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement of even date herewith between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make to the Recipient a loan from ADB's Special Funds resources in various currencies equivalent to thirty-two million seven hundred and ninety-eight thousand Special Drawing Rights (SDR32,798,000) ("Loan") for the purposes of the project described in Schedule 1 to the Loan Agreement ("Project");

(B) the Recipient has, through ADB, applied to the Swedish International Development Cooperation Agency ("SIDA") for a financial assistance for the Project and SIDA has agreed to provide a grant to the Recipient, to be administered by ADB pursuant to its cofinancing arrangements with SIDA ("Grant"), for the purposes of co-financing various activities under the Project;

(C) the Project will be carried out jointly by the City Corporations, the Municipalities and LGD (each as defined in the Loan Agreement), and for this purpose the Recipient shall make available to the City Corporations and the Municipalities (individually "Implementing Agency" and collectively "Implementing Agencies") and LGD the proceeds of the Grant provided for herein upon terms and conditions satisfactory to ADB; and

(D) the Grant, when approved by SIDA, will be provided through, and administered by, ADB upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Funded Grant Regulations of ADB, dated 8 April 2009 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

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

(a) "Consulting Services" means the services to be financed out of the proceeds of the Grant as described in paragraph 2 of Schedule 1 to the Loan Agreement; and

(b) "Goods" means equipment and materials to be financed out of the proceeds of the Grant, including related services such as transportation, insurance, installation, commissioning, training, and initial maintenance but excluding Consulting Services.

ARTICLE II

Administration of the Grant

Section 2.01. Subject to the terms and conditions set forth in this Grant Agreement, ADB agrees to make available to the Recipient and administer an amount of twenty million Dollars (\$20,000,000).

Section 2.02. Notwithstanding any other provision of this Grant Agreement, ADB is not obliged to make any disbursement from the Grant Account, except to the extent that ADB has received the Grant from SIDA.

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall, upon terms and conditions satisfactory to ADB, make the proceeds of the Grant available, through timely budget allocations, to:

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

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

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of the Schedule to this Grant Agreement, as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

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

Section 3.04. Withdrawals from the Grant Account in respect of Goods shall be made only on account of expenditures relating to

- (a) Goods and Consulting Services which are produced in and 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 and Consulting Services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

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

ARTICLE IV

Particular Covenants

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

Section 4.02. (a) The Recipient 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 Grant proceeds and compliance with the financial covenants of this Grant 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 from the date of their receipt by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient'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 discussion shall be conducted only in the presence of an authorized officer of the Recipient, unless the Recipient shall otherwise agree.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods, and any relevant records and documents.

Section 4.04. The Recipient 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 Recipient shall exercise its rights under the financing arrangements with the Implementing Agencies in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

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

ARTICLE V

Suspension and Cancellation

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

ARTICLE VI

Effectiveness

Section 6.01. The following is specified as additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Loan Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient in accordance with its terms.

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

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

ARTICLE VII

Miscellaneous

Section 7.01. The Senior Secretary of Economic Relations Division of the Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

For the Recipient

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:

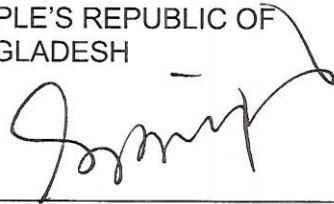
(632) 636-2444

(632) 636-2293.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant 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



IQBAL MAHMOOD
Senior Secretary
Economic Relations Division
Ministry of Finance

ASIAN DEVELOPMENT BANK

By



M. TERESA KHO
Country Director
Bangladesh Resident Mission

SCHEDULE

Allocation and Withdrawal of Grant Proceeds

General

1. The table attached to this Schedule sets forth the Category of items of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

Percentages of SIDA Financing

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

Reallocation

3. Notwithstanding the allocation of Grant proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient, reallocate such excess amount to any other Category.

Disbursement Procedures

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

Imprest Account and Statement of Expenditures

5. (a) Except as ADB may otherwise agree, the Recipient 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 Recipient 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 the 6 months of Project implementation, or (ii) the equivalent of 10% of the Grant 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 the Loan Disbursement Handbook and detailed arrangements agreed upon between the Recipient and ADB. Any individual payment to be reimbursed shall not exceed the equivalent of \$100,000.

Retroactive Financing

7. Withdrawals from the Grant 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 Grant 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 Grant amount.

TABLE

ALLOCATION AND WITHDRAWAL OF GEF GRANT PROCEEDS (Urban Primary Health Care Services Delivery Project)				
CATEGORY				SIDA FINANCING
Number	Item	Amount Allocated Financing		Percentage and Basis for Withdrawal from the Grant Account
		Category	\$ Subcategory	
1	Consulting Services (Operations Research)	500,000		100% of total expenditure claimed*
2	Partnership Agreements	15,910,000		
2A	Six-month Extension of Existing Contracts in 24 Partnership Areas		1,505,000	43% of total expenditure claimed*
2B	New Contracts		14,105,000	43% of total expenditure claimed*
2C	Performance Incentive Scheme		300,000	100% of total expenditure claimed*
3	Training and Workshops	1,562,000		
3A	Overseas Study, Training & Regional Conferences		900,000	100% of total expenditure claimed*
3B	Local Training & Workshops		662,000	55% of total expenditure claimed*
4	Review and Special Audit	230,000		100% of total expenditure claimed*
5	Urban Strategy Implementation	200,000		100% of total expenditure claimed*
6	Unallocated**	1,598,000		
	Total	20,000,000		

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

** May be used towards ADB's administration fee, external audit costs, charges, and a provision for foreign exchange fluctuation (if any), to the extent that these items are not covered by the interest and investment income earned on this Grant, or any additional grant from SIDA.