Project Agreement

(Power System Reliability and Efficiency Improvement Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

POWER GRID COMPANY OF BANGLADESH

Dated August 24, 2017
PROJECT AGREEMENT

AGREEMENT dated August 24, 2017, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and the POWER GRID COMPANY OF BANGLADESH ("PGCB") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and the Association. The Association and PGCB hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. PGCB declares its commitment to the objectives of the Project. To this end, PGCB shall carry out the Project in accordance with the provisions of Article IV of the General Conditions and the PGCB Subsidiary Loan Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and PGCB shall otherwise agree, PGCB shall carry out the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05 (c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. PGCB's Representative is its Managing Director or any other authorized representative.
4.02. The Association’s Address is:

International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: INDEVAS
Telex: 248423(MCI)
Facsimile: 1-202-477-6391

Washington, D.C.

4.03. PGCB’s Address is:

IEB Building (3rd and 4th Floor)
Ramna, Dhaka 1000, Bangladesh

Facsimile:
8802-9582382
AGREED at Dhaka, People’s Republic of Bangladesh, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Qimiao Fan
Title: Country Director

POWER GRID COMPANY OF BANGLADESH

By

[Signature]
Authorized Representative

Name: Pranab Kumar Roy
Title: Chief Engineer (RED), PGCB
SCHEDULE

Execution of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. **Board**

   PGCB shall, throughout the period of implementation of the Project: (a) carry out oversight functions over activities carried out under the Project; and (b) approve all the contracts spelled out in the Procurement Plan.

2. **Project Management Unit**

   (a) By no later than one (1) month after the Effective Date, PGCB shall establish, and thereafter maintain throughout the period of implementation of the Project, a project management unit headed by a project director and comprise of competent staff, all with experience and qualification, in numbers and under terms of reference acceptable to the Association including, *inter alia*, two (2) procurement specialists, two (2) financial management specialists, and one (1) monitoring and evaluation specialist.

   (b) PGCB shall maintain throughout the period of implementation of the Project its existing dedicated environmental and social sub-unit comprise of one (1) environmental specialist and one (1) social specialist, both with experience and qualifications acceptable to the Association.

3. **Audit Committee**

   By no later than one (1) month after the Effective Date, PGCB shall establish, and thereafter maintain throughout the period of implementation of the Project, an audit committee: (a) comprised of staff, with experience and qualifications, in numbers and under terms of reference acceptable to the Association; and (b) responsible for overseeing and settling any audit issues during the implementation of the Project.

4. **Bid/Proposal Evaluation Committee; Probity Assurance Provider**

   (a) PGCB shall ensure, throughout the period of implementation of the Project, that the final composition(s) of its bid/proposal evaluation committee(s) are agreed with the Association.
(b) At any stage of the procurement processes of contracts defined as high value in the Procurement Plan and following a request from the Association, PGCB shall hire an independent third party under terms of reference satisfactory to the Association for providing probity assurance over those high value contracts.

5. **Memorandum of Understanding**

By no later than two (2) months after the Effective Date, PGCB shall enter into, and thereafter maintain throughout the period of implementation of the Project, a memorandum of understanding with BPDB and the selected power generator plants to be supported under the Project, under terms and conditions satisfactory to the Recipient and the Association, to allow an agile implementation of, and close coordinating during, the carrying out of the frequency control activities to be carried out under the Project.

**B. Anti-Corruption**

PGCB shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Expenditures to be Exclusively Financed with Counterpart Funds**

1. PGCB, at all times, shall remain the entity duly authorized and responsible for land acquisition and resettlement, compensation and rehabilitation or other assistance during Project implementation.

2. PGCB shall: (a) ensure that the following expenditures are financed exclusively out of its own resources or others and not out of the proceeds of the Credit; and (b) provide, promptly as needed, the resources needed for this purpose: (i) all land required for the purposes of the Project; (ii) all resettlement and rehabilitation compensation and other assistance to Affected Persons, in accordance with the RAPs; (iii) recurrent expenditures such as workshop allowances, sitting allowances, cash per diems, honoraria and fuel; (iv) vehicles; and (v) import and supplementary duties and value-added taxes at import stage.

**D. Safeguards**

1. PGCB shall carry out the Project in accordance with the provisions of the ESMF and RPF and the relevant Safeguards Assessments and Plans.

2. Whenever an additional or revised Safeguard Assessment and Plan shall be required for any proposed Project activity in accordance with the provisions of the ESMF and/or the RPF, as the case may be, PGCB shall:
prior to the commencement of such activity, proceed to have such Safeguard Assessment and Plan: (i) prepared and publicly consulted on in accordance with the provisions of the ESMF and/or the RPF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;

thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Assessment and Plan and not amend, suspend or abrogate any provisions of the Safeguards Assessment and Plan without the prior written agreement of the Association; and

in the case of any land acquisition or resettlement activity under the Project involving Affected Persons, ensure that no displacement shall occur before necessary resettlement measures consistent with the RAP applicable to such activity have been executed, including, in the case of displacement, full payment to Affected Persons of compensation and of other assistance required for relocation, prior to displacement.

3. PGCB shall: (a) ensure that any technical assistance to be supported under the Project are carried out under terms of reference satisfactory to the Association following its review thereof and, to that end, said studies shall duly incorporate the requirements of Association’s Safeguard Policies and be publicly disclosed and consulted upon in accordance with the Association’s Safeguard Policies; and (b) ensure that any capacity building activities under the Project are consistent with, and pay due attention to, the Association’s Safeguard Policies.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

PGCB shall monitor and evaluate the progress of the Project and prepare Project Reports for the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with to the Association. Each such Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of period covered by such report.

B. Financial Management, Financial Reports and Audits

1. PGCB shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations
and financial condition of PGCB, including the operations, resources and expenditures related to the Project.

2. PGCB shall furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. PGCB shall have its financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one (1) fiscal year of PGCB. PGCB shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six (6) months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association.

Section III. **Procurement**

All goods, works and services required for the Project and to be financed out of the proceeds of the Credit shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.