Financing Agreement

(Additional Financing for the Second Rural Transport Improvement Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 6, 2018
FINANCING AGREEMENT

AGREEMENT dated December 6, 2018 between PEOPLE’S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for providing additional financing for the Original Project (as defined in the Appendix to this Agreement).

The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form 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 General Conditions, in the Appendix to this Agreement or in the Original Financing Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to seventy one million four hundred thousand Special Drawing Rights (SDR 71,400,000) (variously, "Credit" and "Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.

2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.

2.05. The Interest Charge is one and a quarter percent (1.25%) per annum on the Withdrawn Credit Balance.
2.06. The Payment Dates are May 15 and November 15 in each year.

2.07. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.08. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS**

4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient’s Representative is the Senior Secretary, Secretary or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary or Assistant Chief of the Economic Relations Division of its Ministry of Finance.

5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

   Economic Relations Divisions  
   Ministry of Finance  
   Sher-e-Bangla Nagar  
   Government of the People’s Republic of Bangladesh  
   Dhaka 1207  
   Bangladesh; and

   (b) the Recipient’s Electronic Address is: Facsimile: +88029180671

5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

   International Development Association  
   1818 H Street, N.W.  
   Washington, D.C. 20433
United States of America; and

(b) the Association’s Electronic Address is:

Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391  
E-mail: qfan@worldbank.org

AGREED as of the Signature Date.

PEOPLE’S REPUBLIC OF BANGLADESH

By

Authorized Representative

Name: Mahmuda Begum

Title: Additional Secretary

Date: December 6, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Qimiao Fan

Title: Country Director

Date: December 6, 2018
SCHEDULE 1

Project Description

The objectives of the Project are to improve rural accessibility in Project areas (twenty-six Project districts) and strengthen institutional capacity for sustainable rural road maintenance.

The Project consists of the following activities complementing the Original Project:

Part A. Accessibility Improvement

1. Climate-resilient rehabilitation of about one thousand four hundred and thirty-three (1,433) kilometers of Upazila roads and Union roads that were damaged in floods and heavy rains in eighteen Project districts, including appropriate road safety measures and quality control system.

2. Development and carrying out of: climate-resilient engineering designs and related surveys and investigations; engineering supervision of civil works and independent quality monitoring; and Project performance audits.

Part B. Institutional Strengthening, Capacity Building and Governance Enhancement

1. Strengthening of the capacity of LGED for Project performance monitoring and management, including through support to Project Management Unit, study tours, capacity building of central road safety unit and GIS section of ICT unit within LGED, support for preparation of guidelines and other documents on socio-environment and climate change issues, training on sustainable road asset management, and implementation of program to prevent, mitigate and respond to Project-related instances of gender-based violence, sexual exploitation and abuse, and violence.

2. Carrying out of impact studies of rural roads, citizen engagement surveys and Project evaluation.

Part C. Rural Transport Safety

Expanding local accident data collection to eighteen districts; Strengthening of road safety audit practices; development of road safety campaign; and development and promotion of an integrated rural transport safety program.
Part D. Contingent Emergency Response

Provision of immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

The Recipient shall vest the overall responsibility for Project implementation in the Ministry of Local Government, Rural Development & Cooperatives. To this end, the Recipient shall have the same implementation arrangements as in the Original Project, as updated below. Accordingly:

A. Institutional Arrangements

1. The Recipient shall maintain, throughout the period of Project implementation, the Project Steering Committee, which shall be chaired by the Secretary, Local Government Division, Ministry of Local Government, Rural Development & Cooperatives, and include as members, the Director General, Local Government Division, the Chief Engineer and Additional Chief Engineer (Planning) of LGED, and representatives of the Agriculture, Water Resources and Rural Institutions Division; IMED; Finance Division, Economic Relations Division; and the Ministry of Land. Such Project Steering Committee shall be responsible for policy directives, overseeing the progress of Project implementation, including addressing issues hampering Project implementation.

2. The Recipient shall maintain, throughout the period of Project implementation, the Project Management Unit in LGED, which shall be headed by a Project Director assisted by one (1) headquarters-based Deputy Project Director, two (2) Deputy Project Directors based in the field, and adequate staff and consultants, responsible for carrying out Project implementation activities.

3. The Recipient shall maintain a Project Coordinator, being not below the rank of Superintending Engineer, responsible for the coordination and supervision of Project activities.

B. Sub-projects

1. The Recipient shall:
   
   (a) prepare an annual work plan for civil works to be carried out during Project implementation;
   
   (b) agree on and finalize such annual work plan in consultation with the Association; and
   
   (c) carry out the civil works under the Project in accordance with the annual work plan and, except as the Association shall otherwise agree, the
Recipient shall not amend or waive any provision of the annual work plan if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the carrying out of the Project or the achievement of the objectives thereof.

2. The Recipient shall select the roads for rehabilitation under Part A.2 of the Project, using criteria and methodologies agreed with the Association, and such selection shall be agreed with the Association.

3. The Recipient shall:
   (a) bear the costs of any land acquisition, resettlement and address any other social impacts required for any Sub-project;
   (b) except as the Association shall otherwise agree, ensure that the actions for land acquisition, resettlement and mitigation of any other social impacts required under a Sub-project are completed before awarding the contract for civil works under said Sub-project; and
   (c) not displace any affected persons under a Sub-project until and unless the implementation of the Resettlement Action Plan or Social Impact Management Plan for the Sub-project has been completed.

C. Maintenance Policy and Business Plan

Except as the Recipient and the Association shall otherwise agree, the Recipient shall:
   (a) maintain a rural roads maintenance policy acceptable to the Association;
   (b) to this end, take all measures required on its part to ensure that sufficient budgetary resources are allocated for the actual maintenance needs of rural roads on an increasing basis year-on-year;
   (c) by not later than June 30, 2019, prepare and adopt a three-year business plan satisfactory to the Association to carry out the rural roads maintenance policy referred to in sub-paragraph (a) above; and
   (d) conduct a periodic review of the business plan and its implementation.

D. Safeguards

1. The Recipient shall maintain, throughout the period of Project implementation, the Project Environmental and Social Unit (ESU) within LGED, which shall be headed by an Executive Engineer, assisted by one (1) Assistant Engineer at LGED headquarters and supported by consultants, field level engineers and adequate
staff, responsible for carrying out environmental screenings and assessments, preparing Environmental Management Plans and incorporating these in bidding documents, reviewing environmental reports, consulting with the relevant stakeholders and monitoring EMP implementation.

2. The Recipient shall ensure that the Project, including each Sub-project, is carried out in accordance with the provisions of the EMF and the SIMF.

3. To that end, the Recipient shall ensure that:

(a) environmental and social screening and, if necessary, impact assessment, shall be carried out for all Sub-projects and reports shall be prepared in accordance with the EMF and SIMF; provided, however, that a comprehensive environmental and social assessment shall be prepared for the Sub-projects under Part A.2 of the Project;

(b) the environmental and social impact assessment reports for all site-specific roads for the first year and second year of Project implementation, including any RAP, any SIMP and any SECDP related thereto, shall be submitted to the Association for review and clearance;

(c) the environmental and social impact assessment reports and any RAP / SIMP / SECDP for a Sub-project shall be publicly disclosed in the Recipient's country prior to the award of the contract for works for said Sub-project; provided that, for high-risk Sub-projects, the disclosure period shall be 120 days, and for all other Sub-projects, the disclosure period shall be thirty (30) days;

(d) an independent third-party evaluation of safeguards performance shall be carried out on an annual basis to supplement the supervision of implementation of the SECDP, SIMP, RAP and EMP including environmental, health and safety measures; and

(e) all environmental and social impact assessment reports, SIMPs, EMPs, RAPs, and SECDPs shall be furnished to the Association in a timely manner for public disclosure.

4. The Recipient shall not assign, amend, abrogate or waive, nor permit to be assigned, amended, abrogated or waived, the EMF, the SIMF, any SIMP, any EMP, any RAP or any SECDP, without the prior written approval of the Association.

5. In the event of a conflict between the provisions of any of the instruments referred to above in paragraph 4 and those of this Agreement, the provisions of the latter shall prevail.
E. Contingent Emergency Response

1. To ensure the proper implementation of contingent emergency response activities under Part D of the Project ("Emergency Response Part"), the Recipient shall:

(a) prepare and furnish to the Association for its review and approval, a Contingent Emergency Response Implementation Plan ("CERIP") which shall set forth detailed implementation arrangements for the Emergency Response Part including: (i) any special institutional arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor ("Emergency Expenditures"), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for Emergency Response Part; (v) documentation required for withdrawals of Emergency Expenditures; (vi) application of the EMF, SIMF and relevant EMP, SIMP, RAP and/or SECDP to the Emergency Response Part; and (vii) any other arrangements necessary to ensure proper coordination and implementation of the Emergency Response Part;

(b) afford the Association a reasonable opportunity to review the proposed CERIP;

(c) promptly adopt the CERIP for the Emergency Response Part as shall have been accepted by the Association;

(d) ensure that the Emergency Response Part is carried out in accordance with the CERIP; provided, however, that in the event of any inconsistency between the provisions of the CERIP and this Agreement, the provisions of this Agreement shall prevail; and

(e) not amend, suspend, abrogate, repeal or waive any provision of the CERIP without prior written approval by the Association.

2. The Recipient shall undertake no activities under the Emergency Response Part unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof; and
the Recipient has ensured the preparation and disclosure of all Safeguard Assessments and Plans required for said activities, in accordance with the EMF and the SIMF, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments.

Section II. **Procurement**

A. **Procurement of Emergency Expenditures under the Emergency Response Part**

The Emergency Expenditures required for the Emergency Response Part of the Project shall be procured in accordance with the procurement methods and procedures set forth in the CERIP.

Section III. **Project Monitoring, Reporting and Evaluation**

The Recipient shall furnish to the Association each Project Report not later than twenty (20) days after the end of each calendar quarter, covering the calendar quarter.

Section IV. **Withdrawal of the Proceeds of the Financing**

A. **General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (excluding vehicles), works (other than works under Part A.2 of the Project), non-consulting services, and consulting services</td>
<td>6,300,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Works under Part A.2 of the Project</td>
<td>64,550,000</td>
<td>60%</td>
</tr>
<tr>
<td>(3) Training and Workshops</td>
<td>550,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Emergency Expenditures for the CER</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>71,400,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A above,
   
   (a) no withdrawals shall be permitted before the Signature Date;
   
   (b) no withdrawal of the Financing shall be made for Emergency Expenditures under Category (4), unless and until the Association is satisfied, and has notified the Recipient of its satisfaction, that all of the following conditions have been met in respect of said activities:
   
   (i) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;
(ii) the Recipient has ensured that all safeguards instruments required for said activities have been prepared and disclosed, and the Recipient has ensured that any actions which are required to be taken under said instruments have been implemented, all in accordance with the provisions of Section I.E of this Schedule;

(iii) the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of Section I.E of this Schedule, for the purposes of said activities; and

(iv) the Recipient has adopted the CERIP in form, substance and manner acceptable to the Association and the provisions of the CERIP remain or have been updated in accordance with the provisions of Section I.E of this Schedule so as to be appropriate for the inclusion and implementation of the Emergency Response Part.

2. The Closing Date is June 30, 2021.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15:</td>
<td></td>
</tr>
<tr>
<td>Commencing November 15, 2023 to and including May 15, 2043</td>
<td>1.65%</td>
</tr>
<tr>
<td>commencing November 15, 2043 to and including May 15, 2048</td>
<td>3.40%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Agriculture, Water Resources and Rural Institutions Division" means the Agriculture, Water Resources and Rural Institutions Division within the Recipient’s Planning Commission, or its successor thereto.

2. "Anti-Corruption Guidelines" means, for purposes of paragraph 5 of the Appendix to the General Conditions, the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.

3. "Category" means a category set forth in the table in Section IV.A of Schedule 2 to this Agreement.

4. "Contingent Emergency Response Implementation Plan" and the acronym "CERIP" mean the plan referred to in Section I.E of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part in accordance with the provisions of said Section.

5. "Economic Relations Division" means the Economic Relations Division within the Recipient’s Ministry of Finance, or its successor thereto.

6. "Eligible Crisis or Emergency" means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

7. "Emergency Expenditure" means any of the eligible expenditures set forth in the CERIP in accordance with the provisions of Section I.E.1 of Schedule 2 to this Agreement, and required for the Emergency Response Part.

8. "Emergency Response Part" means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part D of the Project.

9. "Environmental Management Framework" and the acronym "EMF" mean the Recipient’s framework, satisfactory to the Association, disclosed to the public on September 11, 2018, which, inter alia: (i) sets forth the general policies, guidelines, codes of practice and procedures to be integrated into the implementation of the Project; and (ii) defines the steps, processes and procedures for environmental screening, alternative analysis, assessment, monitoring and management of potential negative impacts of the Project, as said framework may be revised from time to time with the prior written approval of the Association, and such term includes any annexes or schedules to such framework.
10. "Environmental Management Plan" and the acronym "EMP" mean a plan, acceptable to the Association, to be developed for a Sub-project in accordance with the Environmental Management Framework, which sets out the mitigation measures, monitoring program and implementation responsibilities to eliminate any adverse environmental impacts of activities to be implemented under the Sub-project, offset them, or reduce them to acceptable levels, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and "Environmental Management Plans" means, collectively, all such plans.

11. "Finance Division" means the Finance Division within the Recipient’s Ministry of Finance, or its successor thereto.


13. "GIS" means geographic information system.

14. "ICT" means information communications and technology.

15. “IMED” means the Implementation Monitoring and Evaluation Division within the Recipient’s Ministry of Planning, or its successor thereto.

16. “Local Government Division” means the Local Government Division within the Recipient’s Ministry of Local Government and Rural Development & Cooperatives, or its successor thereto.

17. “Local Government Engineering Department” and the acronym “LGED” mean the Local Government Engineering Department under the Recipient’s Ministry of Local Government, Rural Development & Cooperatives, or its successor thereto.

18. “Ministry of Finance” means the Recipient’s Ministry of Finance, or its successor thereto.


22. “Original Financing Agreement” means the financing agreement for the Second Rural Transport Improvement Project between the Recipient and the Association, dated October 23, 2012, as amended from time to time (Credit No. 5107-BD).

23. “Original Project” means the Project described in the Original Financing Agreement.

24. “Planning Commission” means the Recipient’s Planning Commission, or its successor thereto.


26. “Project Environmental and Social Unit” and the acronym “ESU” mean the Project Environmental and Social Unit within LGED established under the Rural Transport Improvement Project.

27. “Project Management Unit” means the unit referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.

28. “Project Steering Committee” means the committee referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.

29. “Resettlement Action Plan” and the acronym “RAP” mean the Recipient’s plan, acceptable to the Association, to be developed for a Sub-project in accordance with the Social Impact Management Framework which sets out, inter alia, a description of the improvement and rehabilitation works under a Sub-project, summary of impact details, an account of consultations with the affected persons/households, an account of impacts due to the Sub-project and the special assistance to be provided, the grievance redress mechanism, and monitoring and evaluation arrangements, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Resettlement Action Plans” means, collectively, all such plans.

30. “Second Rural Transport Improvement Project” means the project described in Schedule 1 to the Original Financing Agreement.

31. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

32. “Small Ethnic Community Development Plan” and the acronym “SECDP” mean the Recipient’s plan, satisfactory to the Association, to be developed for a Sub-project in accordance with the Social Impact Management Framework, which sets out basic principles to be applied in the selection, design and implementation of
improvement and rehabilitation works under the Sub-project to avoid or minimize adverse impacts and, concurrently, ensure culturally appropriate benefits, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Small Ethnic Community Development Plans” means, collectively, all such plans.

33. “Social Impact Management Framework” and the acronym “SIMF” mean the Recipient’s framework, satisfactory to the Association, disclosed to the public on September 11, 2018, governing all land acquisition and resettlement planning activities undertaken at sites impacted by the Project and which sets forth the general policies, guidelines, and procedures for integration of required mitigation measures of potential safeguard impacts into the selection, design and implementation of the Sub-projects, as said framework may be revised from time to time with the prior written approval of the Association, and such term includes any annexes or schedules to such framework.

34. “Social Impact Management Plan” and the acronym “SIMP” mean a plan, acceptable to the Association, to be developed for a Sub-project in accordance with the SIMF, which sets out the mitigation measures, monitoring program and implementation responsibilities to eliminate any adverse social impacts of activities to be implemented under the Sub-project, offset them, or reduce them to acceptable levels, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such plan, and “Social Impact Management Plans” means, collectively, all such plans.

35. “Sub-project” means an activity financed or proposed to be financed under Part A.2 of the Project.

36. “Training and Workshops” means the reasonable costs required for the participation of personnel involved in training activities, workshops and study tours under the Project which have been approved by the Association in writing, on a semi-annual basis, including: (a) travel, hotel, and subsistence costs for training, workshop and study tour participants provided that such costs are paid directly to the eligible recipient using the banking system; (b) costs associated with rental of training and workshop facilities, preparation and reproduction of training and workshop materials, costs of academic degree studies, and other costs directly related to training course, workshop or study tour preparation and implementation provided that such costs are paid directly to the eligible recipient using the banking system, but excluding salaries of consultants, workshop allowances, sitting allowances and honorarium of any other nature. In the event that the Association cannot be informed on a semi-annual basis, the prior approval of the Association in writing shall be taken on individual basis for any costs arising out of such training activities, workshops and study tours.