Financing Agreement

(Additional Financing for Chittagong Water Supply Improvement and Sanitation Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated AUGUST 6, 2017
FINANCING AGREEMENT

AGREEMENT dated AUGUST 6, 2017, entered into between PEOPLE’S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of 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) 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 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty four million seven hundred thousand Special Drawing Rights (SDR 34,700,000) (variously, “Credit” and “Financing”), to assist in financing the project described in Schedule I 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 payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are June 15th and December 15th in each year.

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

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) The Project Implementing Entity’s Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.

(b) As a result of events which have occurred after the date of the Financing Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Project Implementing Entity will be able to perform its obligations under the Subsidiary Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that any event specified in paragraph (b) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Agreement, acceptable to the Association, has been entered into between the Recipient and the Project Implementing Entity.

5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. 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 the Ministry of Finance.

6.02. The Recipient’s Address is:

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

   Facsimile: 880 2 9180671

6.03. The Association’s Address is:

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

   Telex: Facsimile:

   248423 (MCI) 1-202-477-6391
AGREED at Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By

[Signature]

Authorized Representative

Name: Mahmuda Begum

Title: Additional Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Rajashree S. Paralkar

Title: Acting Country Director for Bangladesh
SCHEDULE 1

Project Description

The objective of the Project is to increase access to safe water and improve CWASA’s institutional capacity and investment planning for sanitation and drainage in Chittagong City. The Project consists of the same parts of the Original Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association ("Subsidiary Agreement").

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

B. Anti-Corruption

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

C. Safeguards.

The Recipient shall cause the Project Implementing Entity to implement the EMF, EMPs, RPF, and RAPs in accordance with the objectives, policies, procedures, time schedules and other provisions set forth therein.

D. Expenditures to be Exclusively Financed with Counterpart Funds

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

2. The Recipient shall: (a) ensure that the following are financed exclusively out of its own resources or other resources of the Recipient and not out of the proceeds of the Financing; 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 compensations set forth in each applicable RAP; (iii) customs duties and value added taxes on imports; (iv) road cutting charges; and (v) recurrent expenditures such as sitting allowances, cash per diems, honoraria and fuel.
E. Other Undertakings

The Recipient shall (a) implement a Procurement Risk Mitigation Framework, in form and substance acceptable to the Association; and (b) submit to the Association, on a quarterly basis, a report detailing the procurement process, the implementation of said Procurement Risk Mitigation Framework and the quality of goods, works and services delivered under the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and 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. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.
Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<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 except for custom duties and value added taxes on import)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Works and consulting services for Parts A and B of the Project</td>
<td>34,700,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>34,700,000</td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is March 31, 2020.
Section V. Other Undertakings

The Recipient shall maintain, during the period of implementation of the Project, the Performance Contract under terms and conditions acceptable to the Association.
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 June 15 and December 15, commencing December 15, 2023 to and including June 15, 2055</td>
<td>1.5625%</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 3.03 (b) of the General Conditions.
APPENDIX

Definitions


2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. “Environmental Management Plan” and the acronym “EMP” means: (a) the Project Implementing Entity’s environmental management plan included as part of the Project’s full environmental impact assessment, acceptable to the Association, disclosed on January 2016, May 2016 and April 2017, for the installation of an 11.10-kilometer water transmission pipeline; and (b) each additional environmental management plan to be prepared under the EMF, as applicable, and containing, inter alia, actions to be taken to avoid, minimize and mitigate identified environmental impacts, as such plans may be revised, updated or supplemented from time to time with the prior written concurrence of the Association; and “EMPs” means, collectively, all such plans.


5. “Original Financing Agreement” means the financing agreement for the Chittagong Water Supply Improvement and Sanitation Project between the Recipient and the Association, dated July 26, 2010, as amended to the date of this Agreement (Credit No. 4734-BD).

6. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.

7. “Original Project Agreement” means the agreement for the Chittagong Water Supply Improvement and Sanitation Project between the Association and the Project Implementing Entity, dated July 26, 2010, as amended to the date of this Agreement (Credit No. 4734-BD).

8. “Performance Contract” means the agreement for the Chittagong Water Supply Improvement and Sanitation Project between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association, as amended to the date of this Agreement.
9. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated May 25, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.


11. "Project Implementing Entity" means the Chittagong Water Supply and Sewerage Authority, an autonomous corporate body registered under the Recipient’s relevant laws and regulations, or any successor thereto.

12. "Project Implementing Entity’s Legislation" means the Recipient’s Water Supply and Sewerage Authority Act of 1996, as amended to the date of this Agreement.

13. "Resettlement Action Plan" means: (a) the Project Implementing Entity’s abbreviated resettlement, action plan acceptable to the Association, dated and disclosed in January 2016, for the city roads of and two (2) small parts on Chittagong-Kaptai and Chittagong-Dhaka highways; and (b) each of the Project Implementing Entity’s resettlement action plans to be prepared under the RPF, as applicable, each such plan in form and substance satisfactory to the Association, and containing, a program of actions, measures and policies for compensation and resettlement of Displaced Persons, including the magnitude of displacement, compensation and resettlement arrangements, budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with its terms; as each plan may be amended from time to time with prior written concurrence of the Association; and "RAPs" means, collectively, all such plans.

14. "Subsidiary Agreement" means the agreement referred to in Section IA of Schedule 2 to this Agreement pursuant to which the Recipient shall on-lend the proceeds of the Financing available to the Project Implementing Entity.