April 3, 2014

Secretary Mohammad Mejbahuddin
Economic Relations Division
Ministry of Finance
Block 8, Room No. 3
Sher-e Bangla Nagar
Dhaka, Bangladesh

Dear Secretary Mejbahuddin:

**Bangladesh: Chittagong Water Supply Improvement and Sanitation Project**

**Credit Number 4734-BD**

**Amendments to the Financing Agreement**

We refer to the Financing Agreement for the Chittagong Water Supply Improvement and Sanitation Project (the “Financing Agreement”) between the People’s Republic of Bangladesh (the “Recipient”) and the International Development Association (the “Association”) dated July 26, 2010. We also refer to the letter dated February 3, 2014 from the Economic Relations Division of the Recipient’s Ministry of Finance, requesting certain amendments to the Financing Agreement.

We are pleased to inform you that the Association accedes to the request and hereby proposes to amend the Financing Agreement as follows:

1. Schedule 1 (Project Description) shall be amended to read as set forth in Attachment 1 to this Amendment Letter.

2. Section II.A.1(a) of Schedule 2 (Project Execution) shall be amended to read as follows:

   “1. The Recipient shall monitor and evaluate the progress of the Project and cause the Project Implementing Entity to 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 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.”

3. Section II.A.1(b) of Schedule 2 (Project Execution) shall be deleted.

4. Section III of Schedule 2 (Project Execution) shall be amended to read as set forth in Attachment 2 to this Amendment Letter.

5. The table in Section IV.A.2 of Schedule 2 (Project Execution) shall be amended to read as set forth in Attachment 3 to this Amendment Letter.

6. The definition(s) of the term(s):

   (a) “Displaced Person” in paragraph 5 of the Appendix shall be deleted;
“Consultant Guidelines”, “Procurement Guidelines”, “Procurement Plan”, “RAP” and “RPF” in paragraphs 3, 10, 11, 16 and 17 of the Appendix shall be modified to read as follows:


“11. “Procurement Plan” means the Recipient’s procurement plan for the Project dated May 9, 2010, updated in February 10, 2014 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.”

“16. “RAP” means the resettlement action plan or plans to be prepared by the Project Implementing Entity and to be endorsed by the Recipient, giving details of policy provisions and the legal and institutional framework governing resettlement and rehabilitation of Project Affected Persons, including the magnitude of land acquisition and displacement, findings of socio-economic surveys and baseline characteristics, organizational responsibilities, the process for resettlement, timetable for construction of transit and permanent housing units, consolidated costs and budgets, and performance criteria and process monitoring indicators; as said RAP may be amended and/or supplemented from time to time with the prior concurrence of the Association.”

“17. “RPF” means the Restructuring Policy Framework dated February 2010, updated on February 12, 2014, issued by the Project Implementing Entity and endorsed by the Recipient, for the purpose of the Project, as said Framework may be amended and/or supplemented from time to time with the prior concurrence of the Association.”; and

“Resettlement Compensation” and “Training and Workshops” shall be added as paragraphs 19 and 20 of the Appendix:

“19. “Resettlement Compensation” means any payment made by the Recipient for compensation to Project Affected Persons.”

“20. “Training and Workshops” means reasonable expenditures (not covered under consultants’ services or under non-consulting services) incurred by the Recipient with respect to: (i) travel, room, fees, board and per diem expenditures incurred by trainers and trainees in connection with training and/or study tours; (ii) training facility and equipment rental expenses; and (iii) training material preparation, acquisition, reproduction and distribution.”

Except as specifically amended by this Amendment Letter, all other provisions of the Financing Agreement shall remain unchanged and in full force and effect.
The Association will disclose this Amendment Letter and related information on this Financing Agreement in accordance with the Association’s Policy on Access to Information. By entering into this Amendment Letter, the Recipient consents to disclosure of this Amendment Letter and related information.

Please confirm your acceptance to the foregoing by signing and dating the two originals, retaining one original for your records and returning the other original to the Association. Upon receipt by the Association of the original Amendment Letter countersigned by you, this Amendment Letter will become effective as of the date of the countersignature.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Johannes Zutt
Country Director for Bangladesh
South Asia Region

AGREED:

PEOPLE’S REPUBLIC OF BANGLADESH

By: [Signature] 30/04/2014
Authorized Representative

(Aroastoo Khan)
Additional Secretary
Economic Relations Division
Ministry of Finance

Name: AROASTOO KHAN

Title: ADDL. SECRETARY, ERD. MINISTRY OF FINANCE

Date: April 30, 2014
Revised SCHEDULE 1 to the Financing Agreement

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 following parts:

Part A. Water Supply Improvement

(a) Construction of water treatment plants in CWASA's development plan, including, inter alia: technical design of said water treatment plants and their associated facilities; construction of the transmission, storage and distribution facilities associated with said water treatment plants; operational support for said water treatment plants; and construction of plant site protection measures against river erosion.

(b) Rehabilitation and extension of water distribution system in Chittagong, including, inter alia: technical design of rehabilitation and extension of said water distribution system; repairs/replacement of dilapidated or non-functioning parts of said water distribution system; and extension of water supply service provision to selected urban slums.

(c) Provision of technical assistance and goods to CWASA for the improvement of operations and maintenance of its water distribution system.

(d) Provision of technical assistance to CWASA for contracts management, engineering design reviews, and supervision for construction of water treatment plants and water distribution systems, as well as for implementation of water supply service provision to urban slums under the above Parts (a) and (b).

(e) Carrying out of studies related to the saline intrusion of the Halda river, including: (i) analysis of future source of raw water for Modunaghat Water Treatment Plant and Mohara Water Treatment Plant; (2) implementation of salinity mitigation measures recommended by said studies.

(f) Carrying out a program of compensation, resettlement and rehabilitation of Displaced Persons under this Part A of the Project.

Part B. Investment Planning for Sanitation and Drainage

(a) Undertaking relevant studies to update Chittagong's sewerage master plans and drainage master plans.

(b) Provision of technical assistance to CWASA to identify and design priority investments in sanitation and drainage.
(c) Provision of technical assistance and training to CWASA to develop a responsibility and coordination framework for drainage and sanitation services in Chittagong.

Part C. Institutional Capacity Development and Project Management Support

(a) Supporting the comprehensive institutional development of CWASA, including, *inter alia*: (i) expanding and equipping CWASA offices in parallel with its service expansion; (ii) provision of goods and equipment to CWASA to improve its billing and collection system, information technology and communications systems, and inventory control system; (iii) provision of technical assistance, training, study tours, vehicles, and equipment to CWASA to improve its laboratory facilities, utility management and its overall service delivery efficiency.

(b) Strengthening the capacity of CWASA in Project management, monitoring and evaluation through provision of technical assistance, training, study tours, and other related logistic and operational support to CWASA, including, *inter alia*: (i) establishing a Project Management Unit (“PMU”), provision of technical expert and vehicles to the PMU, and supporting the operational cost of the PMU, and (ii) strengthening the capacity of PMU in Project management in areas of financial management, procurement, contract management, preparation of social and environmental safeguards instruments, and environmental and social safeguards management and audits.
Revised Section III of SCHEDULE 2 to the Financing Agreement

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' 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 Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, civil works, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding following the procedures of the Procurement Laws subject to additional provisions set forth in paragraph 3 below</td>
</tr>
<tr>
<td>(b) Shopping following the request for quotation method of the Procurement Laws</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Community Participation procedures acceptable to the Association</td>
</tr>
</tbody>
</table>

3. National Competitive Bidding Procedures. The following provisions apply for the contracting of goods, works and non-consulting services under National Competitive Bidding, using bidding documents acceptable to the Association:

(a) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
(b) bids should be submitted and opened in public in one location immediately after the deadline for submission;

(c) rebidding shall not be carried out, except with the Association's prior agreement;

(d) lottery in award of contracts shall not be allowed;

(e) bidders' qualification/experience requirement shall be mandatory;

(f) bids shall not be invited on the basis of percentage above or below the estimated cost and the contract award shall be based on the lowest estimated bid price of compliant bid from eligible and qualified bidder; and

(g) single stage two envelope procurement system shall not be allowed.

C. Particular Methods of Procurement of Consultants' Services

1. Quality-and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Consultants' Qualifications</td>
</tr>
<tr>
<td>(d) Least-Cost Selection</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's prior review. All other contracts shall be subject to Post Review by the Association.

E. Other Undertakings

1. 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 the said Procurement Risk Mitigation Framework and the quality of goods, works and services delivered under the Project.

2. The Recipient shall appoint a qualified procurement consultant on a full time basis for the purposes of the Project.
## Revised Table in Section IV.A.2 of SCHEDULE 2 to the Financing Agreement

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consultants' services, Training and Workshops</td>
<td>102,520,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Resettlement Compensation</td>
<td>330,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Incremental Operating Costs</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>0</td>
<td>100%</td>
</tr>
<tr>
<td>Cancellation as of <strong>February 5, 2014</strong></td>
<td>9,450,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>112,500,000</strong></td>
<td></td>
</tr>
</tbody>
</table>