OFFICIAL DOCUMENTS

CREDIT NUMBER 5924–BD

Financing Agreement

(Additional Financing for Clean Air and Sustainable Environment Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated APRIL 18, 2017
FINANCING AGREEMENT

Agreement dated April 18, 2017, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to 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.

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 twenty five million five hundred thousand Special Drawing Rights (SDR 25,500,000) (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 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 15 and August 15 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 objectives of the Project. To this end, the Recipient shall carry out Part A of the Additional Parts through DOE and Part B of the Additional Parts through DNCC and DSCC; all in accordance with the provisions of Article IV of the General Conditions.

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 Additional Parts are carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. 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 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 the Ministry of Finance.

5.02. 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

5.03. The Association's Address is:
AGREED at Dhaka, People’s Republic of Bangladesh, as of the day and year first above written.

PEOPLE’S REPUBLIC OF BANGLADESH

By

Authorized Representative

Name: MAHMUDA BEGUM
Title: ADDITIONAL SECRETARY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: RAJASHREE S. PARALKAR
Title: ACTING COUNTRY DIRECTOR
SCHEDULE 1

Project Description

The objective of the Project is to improve air quality and safe mobility in Dhaka, through the implementation of demonstration initiatives in urban transport and brick making.

The Project consists of the Original Project and the following Additional Parts:

Part A: Environment

(a) Infrastructure development to meet growing requirements of environmental compliance and monitoring

(i) Expansion of the existing air quality monitoring network with additional stations and low cost monitors.
(ii) Establishment of a central air quality laboratory with modern facilities.
(iii) Provision of mobile air quality van equipped with stack monitoring equipment (SPM and Gaseous) for eight divisional offices.
(iv) Construction of five floors for the new DOE's building including provision of associated infrastructure.

(b) Policy development and strengthening institutional capacity for environmental management

(i) Provision of technical assistance to develop a clean air act; including carrying out of consultation processes.
(ii) Dissemination of cleaner designs for brick kilns, including the setting up of a data base for better environmental compliance monitoring and the provision of mobile emission monitoring equipment.
(iii) Establishment of mechanisms for institutional coordination for urban air quality management.
(iv) Carrying out of capacity building activities to address gaps in institutional knowledge.

(c) Knowledge management

(i) Piloting of non-fire brick (alternative building material) manufacturing technologies and dissemination of two low emission kilns.
(ii) Carrying out of communication campaigns to highlight the impact of local and global emissions from key transport and industrial sources and benefits of addressing these issues.
(d) **Project Management**

Provision of technical advisory services, equipment and logistical assistance to DOE for the management of this Part A.

**Part B: Transport**

(a) **Improvement of signal and intersection infrastructure**

(i) Repairing and maintenance of selected signal infrastructure, including provision of associated equipment.
(ii) Placing of traffic signs and road markings.
(iii) Construction and/or rehabilitation of sidewalks and improvement of ancillary roads in selected areas.

(b) **Capacity building on traffic management activities**

(i) Provision of equipment to DMP for improving traffic management activities.
(ii) Carrying out of training and capacity building initiatives for DSCC/DNCC/DMP and other relevant agencies for improving traffic management activities.

(c) **Traffic studies, awareness campaign and design, supervision and monitoring**

(i) Carrying out of transport and institutional development studies.
(ii) Carrying out of awareness campaign for clean and safe mobility.
(iii) Provision of technical advisory services, equipment and logistical assistance to DSCC and DNCC for the management of this Part B.

(d) **Piloting mobility improvement for disabled**

(i) Carrying out of studies to identify mobility improvement needs for disabled people.
(ii) Piloting of associated improvement works.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall, until the completion of the Project, maintain a Project Steering Committee (PSC), to be chaired by the Secretary MOEF and including, as members, senior officials from the Roads and Railways Division of MOC, LGD, ERD, Finance Division, Planning Commission, IMED, BRTC, BRTA, DNCC, DSCC, DOE, DMP and DTCA. The PSC shall, inter alia, be responsible for: (i) periodically reviewing the overall implementation of the Project; (ii) providing oversight and policy guidance on Project matters; (iii) facilitating inter-agency coordination to ensure compliance and adherence to the Project’s development objectives; (iv) resolving disputes or conflicts related to the Project, if any; and (v) endorsing any policy, regulatory and institutional recommendations emanating from the Project.

2. The Recipient shall maintain a Project Coordination Unit (PCU) headed by a Joint Secretary from the MOEF, which shall also serve as the secretariat to the PSC. The PCU shall be responsible for: (i) reviewing the implementation of the Project in a timely manner and in accordance with specified requirements and agreed implementation plan; (ii) liaising with Project Directors and reporting on funds flow and physical progress; (iii) undertaking regular monitoring and evaluation and ensure overall quality of the Project; (iv) preparing standardized progress reports to monitor all technical, financial and administrative aspects of the Project; ensuring regular coordination and information sharing among the relevant ministries and agencies that will have a role in Project and implementation; and (v) proactively managing overall Project risks.

3. The Recipient shall carry out Part A of the Additional Parts through DOE and Part B of the Additional Parts through DNCC and DSCC. The Implementing Agencies shall establish and maintain two Project Implementation Units, one for each Part of the Project, to be headed by a Project Director. The Project Directors shall individually be responsible, inter alia, for: (i) making decisions related to the Project as well as financial management decisions independently within the financial powers delegated to the Project Directors under the “Delegation of Financial Powers for Development Projects” issued by the Recipient; (ii) ensuring compliance with the fiduciary requirements; (iii) approving the work plans and budgets to be submitted to the PCU and subsequent submission to higher authorities for approval; (iv) executing the activities approved by the PSC; (v) ensuring the provision of adequate and appropriate staffing for Project execution at the implementing agency level; (vi) overseeing the work of the
various consultants; (vii) approving the bid and proposal dossiers and calls for bid and proposal dossiers; (viii) executing payments from the Project account, ensuring that project activities are well coordinated and that necessary preconditions are met concerning post-Project ownership, operation, maintenance and sustainability; (ix) reviewing the implementation of project activities on a monthly basis and reporting to the PCU; (x) informing the PCU of any event which might jeopardize the success of the Project; and (xi) setting up the necessary departmental technical committees and overseeing their functioning if required.

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

1. The Recipient shall:

(a) ensure that the Project is carried out in accordance with the Safeguard Instruments, in a manner and substance satisfactory to the Association; and

(b) refrain from amending, suspending, waiving, abrogating and/or voiding any provision of the Safeguard Instruments, in whole or in part, without the prior written agreement with the Association.

2. The Recipient shall:

(a) take all necessary actions to minimize to the extent possible any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people, in the carrying out of the Project or any part thereof;

(b) prior to the commencement of any works under the Project, obtain necessary environmental clearances and licenses for all such activities in accordance with national regulations if required; and

(c) whenever a new or revised Safeguard Instrument, including any Safeguard Assessment and Plan is required for any proposed Project activity in accordance with the provisions of the ESMF:

(i) prior to the commencement of such activity, proceed to have such additional or revised Safeguard Instrument, including any Safeguard Assessment and Plan: (A) prepared in accordance with the provisions of the ESMF; (B) furnished to the Association for
review and approval; and (C) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association;

(ii) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such additional or revised Safeguard Assessment and Plan; and

(iii) in the case of any activity involving Affected Persons, ensure that no displacement shall occur before the necessary measures consistent with RAP have been executed, including full payment to Affected Persons of compensation and other assistance required for relocation prior to displacement of persons or commencement of works or other related Project activities in a manner satisfactory to the Association.

3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, in accordance with terms of reference satisfactory to the Association: (a) monitor the status of compliance with the Safeguard Instruments; and (b) prepare quarterly reports and furnish the same to the Association, as part of the Project Reports, on the results of such monitoring activities, giving details of:

(i) measures taken in furtherance of the Safeguard Instruments;

(ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of Safeguard Instruments, particularly those related to the relevant RAP;

(iii) remedial measures taken or required to be taken to address such conditions; and

(iv) grievances received (if any) and measures taken to resolve them.

6. The Recipient shall ensure that all studies and technical assistance activities to be supported under the Project, including but not limited to feasibility, survey, design and studies are carried out under terms of reference satisfactory to the Association.

7. The Recipient shall:

(a) establish, prior to the carrying out of any activities under the Project, and thereafter maintain until completion of the Project, an independent Grievance Redress Mechanism, acceptable to the Association, as per the requirements of ESMF;
(b) provide at all time until completion of the Project on the Project website, information about existing complaints handling systems related to any activity under the Project;

(c) provide, promptly as needed, all resources necessary for the Grievance Redress Mechanism to operate as required by this Agreement and the ESMF;

(d) publicize the Grievance Redress Mechanism on its Project website and at each Project site; and

(e) include in each Project Report, a report on Grievance Redress Mechanism cases, resolutions, challenges, staffing and budget and other resources required.

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 assistance during Project implementation.

2. The Recipient shall: (a) ensure that the following expenditures 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 compensation and other assistance to Affected Persons, in each case in accordance with and each applicable RAP; (iii) import duties; (iv) recurrent expenditures such as workshop allowances, sitting allowances, cash per diems, honoraria and fuel; and (v) vehicles (other than those set out in the Procurement Plan).

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 quarter, 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 prepare and furnish to the Association as part of the Project Report 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 Additional Parts 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 “World Bank Disbursement Guidelines for Projects” dated May 2006, 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 Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of import duties)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Part A of the Additional Parts</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Goods (including vehicles as per Section I.D.2(v)), works, non-consulting services, consulting services and Training</td>
<td>11,650,000</td>
<td></td>
</tr>
<tr>
<td>(b) Incremental Operating Costs</td>
<td>750,000</td>
<td></td>
</tr>
<tr>
<td>(2) Part B of the Additional Parts</td>
<td></td>
<td>100%</td>
</tr>
<tr>
<td>(a) Goods (including vehicles as per Section I.D.2(v)), works, non-consulting services, consulting services and Training</td>
<td>12,930,000</td>
<td></td>
</tr>
<tr>
<td>(b) Incremental Operating Costs</td>
<td>170,000</td>
<td></td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>25,500,000</strong></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 December 15, 2018.
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 February 15 and August 15, commencing February 15, 2023 to and including August 15, 2054</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.
Definitions

1. "Additional Parts" means Parts A and B described in Schedule 1 of this Agreement, which are exclusively financed by the Credit.

2. "Affected Persons" means any person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person.


4. "BRTA" means the Bangladesh Road Transport Authority within MOC (as hereinafter defined), established under Section 24 of the Borrower's Motor Vehicle Ordinance, 1983 (Ord. IV of 1983).

5. "BRTC" means the Bangladesh Road Transport Corporation, a body corporate established under the Recipient's Bangladesh Road Transport Corporation Ordinance 1961 (Revised).

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

7. "DMP" means the Dhaka Metropolitan Police, or any successor thereto.

8. "DNCC" means the Dhaka North City Cooperation, or any successor thereto.


10. "DSCC" means the Dhaka South City Cooperation, or any successor thereto.

11. "DTCA" means the Dhaka Transport Coordination Authority, or any successor thereto.

12. "Environmental and Social Management Framework" or the acronym "ESMF" means the framework, dated July 2008, acceptable to the Association, setting forth the policy framework, principles, standards, processes and institutional
arrangements, including the resettlement policy framework, to be applied to assess potential adverse environmental and social impacts associated with the Project, and the ways to avoid, minimize, mitigate or offset them; with related public consultation, disclosure, reporting and grievance redress procedures, including for the preparation of Environmental Impact Assessment(s), Social Impact Assessment(s), Environmental Management Plan(s) and Resettlement Action Plan(s), as may be required for Project activities, as said framework may be modified from time to time with prior written consent of the Association.

13. “Environmental Impact Assessment” and the acronym “EIA” means each of the environmental impact assessments to be prepared under the Project in accordance with the ESMF, each such assessment in form and substance satisfactory to the Association, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities, together with an Environmental Management Plan defining measures to manage such risks and impacts; as each assessment may be amended from time to time with prior written consent of the Association.

14. “Environmental Management Plan” and the acronym “EMP” means each of the environmental management plans to be prepared under the Project, in accordance with the ESMF, each such plan in form and in substance satisfactory to the Association, setting forth mitigation, enhancement, monitoring, and institutional measures, to eliminate any adverse environmental impacts of activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as each plan may be amended from time to time with prior written consent of the Association.


17. “Grievance Redress Mechanism” means each system to be established and implemented by the Recipient under the Project, pursuant to Section C.7. of Schedule 2 to this Agreement, which shall meet the requirements set forth in the ESMF and be acceptable to the Association, be designed to track complaints regarding the Project, guide resolution of such complaints, and track and publicize resolution of such complaints, as such system may be updated from time to time by prior written agreement between the Recipient and the Association.

18. “Implementing Agencies” means collectively DOE, DNCC and DSCC, or any of their successors thereto.
19. "IMED" means the Implementation Monitoring and Evaluation Division of the Recipient’s Ministry of Planning, or any successor thereto.

20. "Incremental Operating Costs" means the reasonable costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, office supplies, utilities, consumables, communication expenses, translation, printing, photocopying and postal expenses, bank charges, advertising expenses, insurance, costs of clearing, forwarding, inspection, survey and transportation of goods, Project-related meeting expenses, Project-related travel, provided that such Operating Costs are paid to the eligible recipient through banking system (except for petty cash expenses following Recipient’s existing policy); but excluding salaries, per diem, fuel, allowances and honorarium of officials of the Recipient’s civil service and/or other sitting allowances and honorarium of any other nature.


22. "MOC" means the Recipient’s Ministry of Communications, or any successor thereto.

23. "MOEF" means the Recipient’s Ministry of Environment and Forest, or any successor thereto.

24. "Original Financing Agreement" means the financing agreement for the Project between the Recipient and the Association, dated May 27, 2009 as amended to the date of this Agreement (Credit No. 4581-BD).

25. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.

26. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated October 26, 2016, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Bank.


28. "Resettlement Action Plan" and the acronym “RAP” mean each of the social management plans to be prepared under the Project in accordance with the ESMF, each such plan in form and substance satisfactory to the Association, and defining details of measures to manage potential social risks and mitigate, reduce and/or offset adverse social impacts associated with the Project, together with adequate budget,
in 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 consent of the Association.

29. “Safeguard Assessment and Plan” means any EIA, SIA, EMP and/or RAP to be prepared by the Recipient in accordance with the ESMF.

30. “Safeguards Instruments” means the Environmental and Social Management Framework and any Safeguard Assessment and Plan; and “Safeguard Instrument” means the ESMF or any Safeguard Assessment and Plan.

31. “Social Impact Assessment” and the acronym “SIA” means each of the additional social impact assessments to be prepared under the Project in accordance with the ESMF, each such assessment in form and substance satisfactory to the Association, and defining details of potential social risks and adverse impacts associated with the implementation of Project activities, together with measures to manage such risks and impacts as each assessment may be amended from time to time with prior written consent of the Association.

32. “Training” means the reasonable costs required for the participation of personnel involved in training activities, seminars and workshops under the Project which have been approved by the Association in writing on annual basis, including: (a) travel, hotel, and subsistence costs for training, seminars and workshop participants provided that such allowances are paid directly to the eligible recipient using the banking system; and (b) costs associated with rental of training, seminar and workshop facilities, preparation and reproduction of training, seminar and workshop materials, costs of academic degree studies, and other costs directly related to training course or workshop preparation and implementation, but excluding sitting allowances and honorarium of any other nature.