

CONFORMED COPY

CREDIT NUMBER 3163 BD

Project Agreement

(Dhaka Urban Transport Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

DHAKA CITY CORPORATION

Dated February 17, 1999

CREDIT NUMBER 3163 BD

PROJECT AGREEMENT

AGREEMENT, dated February 17, 1999, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and DHAKA CITY CORPORATION (DCC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to one hundred twenty-nine million three hundred thousand Special Drawing Rights (SDR 129,300,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that DCC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a subsidiary grant agreement to be entered into between the Borrower and DCC, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to DCC on the terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS DCC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, the Preamble to this Agreement and in the General

Conditions (as so defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) DCC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Parts A (other than A.8) and C.1 of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for its part of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association and DCC shall otherwise agree, DCC shall carry out its part of the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) DCC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement and its part of the Project.

(b) For the purposes of Section 9.07 of the General Conditions and without limitation thereto, DCC shall:

- (i) prepare, on the basis of guidelines acceptable to the Association and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Association and DCC, a plan for the future operation of its part of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with DCC on said plan.

Section 2.04. DCC shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, DCC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.05. (a) DCC shall, at the request of the Association, exchange views with the Association with regard to the progress of its part of the Project, the performance of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit.

(b) DCC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of its part of the Project, the accomplishment of the purposes of the Credit, or the performance by DCC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

## ARTICLE III

### Management and Operations of DCC

Section 3.01. DCC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and engineering practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. DCC shall at all times operate and maintain its plant, machinery, equipment and other property, and from time to time, promptly as needed, make all necessary repairs and renewals thereof, all in accordance with sound engineering, financial and administrative practices.

Section 3.03. DCC shall take out and maintain with responsible insurers, or make

other provision satisfactory to the Association for, insurance against such risks and in such amounts as shall be consistent with appropriate practice.

#### ARTICLE IV

##### Financial Covenants

Section 4.01. (a) DCC shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition.

(b) DCC shall:

- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) in respect of its part of the Project for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than six months after the end of each such year, (A) certified copies of its financial statements in respect of its part of the Project for such year as so audited and (B) the report of such audit by said auditors of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Association shall from time to time reasonably request.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, DCC shall carry out a time-bound action plan acceptable to the Association for the strengthening of its financial management system for the Project in order to enable DCC, not later than June 30, 2000, or such later date as the Association shall agree, to prepare quarterly Project management reports, acceptable to the Association, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report, and (B) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, DCC shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter a Project Management Report for such period.

#### ARTICLE V

##### Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of DCC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify DCC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE VI

##### Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Association:

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

Cable address:

INDEVAS  
Washington, D.C.

Telex:

248423 (MCI) or  
64145 (MCI)

For Dhaka City Corporation:

Nagar Bhaban  
Dhaka, Bangladesh

Telex

672801 MOLRG BJ

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of DCC may be taken or executed by its Mayor or such other person or persons as its Mayor shall designate in writing, and DCC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Dhaka, Bangladesh, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick T. Temple

Country Director, Bangladesh

DHAKA CITY CORPORATION

By /s/ Rashidul Alam

Authorized Representative

SCHEDULE 1

Implementation Program

1. DCC shall timely implement an Action Plan, satisfactory to the Association, for the carrying out of the Project.
2. DCC shall promptly establish and thereafter maintain and operate a suitably staffed Project Implementation Unit (PIU) in DCC, under terms and conditions satisfactory to the Association, which shall include, inter alia, direct reporting to the Mayor or the Chief Executive Officer of DCC and, in order to avoid delays, direct clearance by the latter of payments to contractors, consultants and suppliers.
3. DCC shall:
  - (a) prepare by December 1, 1999 a plan, satisfactory to the Association, for
    - (i) improving management of the bus terminals rehabilitated under the Project and
    - (ii) recovering adequate charges from the users of such terminals; and
  - (b) thereafter carry out in a timely manner the recommendations of such plan that the Borrower and the Association shall have agreed upon.
4. Without any limitation to the generality of Section 2.01 of this Agreement, DCC shall:
  - (a) provide at least 10% of the cost of the parts of the Project to be carried out by DCC (except Part C.1) through a separate Project Account to be established by DCC and replenished quarterly based on expected Project expenditures; and
  - (b) promptly provide its part of the annual funding requirements for the Road and Traffic Maintenance Fund established under paragraph 4 of Schedule 4 of the Development Credit Agreement.
5. DCC shall:
  - (a) prepare and furnish to the Association by March 31, 1999, and by March 31 of each year thereafter, for review and comments, a maintenance plan for roads and traffic facilities in respect of the succeeding fiscal year; and
  - (b) thereafter implement such plan in a timely manner, taking into account the Association's comments thereof. 6. DCC shall take all actions necessary on its part to enable the Borrower to comply with paragraphs 8, 9, 10 and 11 of Schedule 4 to the Development Credit Agreement.
7. DCC shall:
  - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of its part of the Project and the achievement of the objectives thereof;
  - (b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about April 30, 2001, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of its part of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of its part of the Project and the achievement of the objectives thereof during the period following such date; and
  - (c) review with the Association, by June 30, 2001, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section,

and, thereafter, take all measures required to ensure the efficient completion of its part of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

