

CONFORMED COPY

CREDIT NUMBER 4693-BD

Financing Agreement

**(Additional Financing for Investment Promotion and
Financing Facility Project)**

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 7, 2010

CREDIT NUMBER 4693-BD

FINANCING AGREEMENT

AGREEMENT dated June 7 2010, 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 the Financing Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this 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 one hundred sixty seven million seven hundred thousand Special Drawing Rights (SDR 167,700,000) ("Credit") 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

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 through Bangladesh Bank 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 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 Bangladesh Bank Order has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of Bangladesh Bank to perform any of its obligations under the Project.
 - (b) The Recipient, Bangladesh Bank or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Facility or for the suspension of its operations.
 - (c) Any provisions of the Operational Directives, the Administration Agreement, any Master Facility Agreement and any Facility Access Agreement shall have been amended, suspended, abrogated, repealed or waived without the written consent of the Association.
- 4.02. The Additional Event of Acceleration consists of the following, namely that either event specified in paragraph (a) or (b) of Section 4.01 of this Agreement has occurred.

ARTICLE V – EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) An Administration Agreement, satisfactory to the Association, has been duly entered into between the Recipient and the Bangladesh Bank to provide, among other things, for the provision by the Recipient to the Bangladesh Bank of such amount of the Credit as shall be allocated from time to time to Categories (1) and (2) in the table set forth in Section IV of Schedule 2 to this Agreement; and
 - (b) the Recipient has caused the Bangladesh Bank to assign staff in adequate number, with qualifications and experience, and under terms of reference

acceptable to the Association, to be responsible for implementing the Project.

- 5.02. The Additional Legal Matter consists of the following, namely that the Administration Agreement has been duly authorized or ratified by the Recipient and the Bangladesh Bank and is legally binding upon the Recipient and the Bangladesh Bank 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 Section 4.02 of this Agreement shall terminate is ten (10) years after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient’s Representative is the Secretary, or the Additional Secretary, or any Joint Secretary/Joint Chief, Deputy Secretary/Deputy Chief, Senior Assistant Secretary/Senior Assistant Chief, Assistant Secretary/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
Government of the People’s Republic of Bangladesh
Dhaka, Bangladesh

Cable address:	Telex:
BAHIRSAMPAD Dhaka	642226 SETU BJ 672796 SETU BJ

- 6.03. The Association’s Address is:

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

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI) or 64145 (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: /s/ M. Musharraf Hosain Bhuiyan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Ellen Goldstein

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (a) supplement the resources of the Recipient's financial markets to provide term finance for infrastructure Investment Projects; and (b) promote the role of private sector entrepreneurs in the development of infrastructure.

The Project consists of the Original Project with the following amendments:

Part B.4 of the Original Project is amended to read as follows: "Provision of technical advisory services to Bangladesh Bank and relevant government agencies to facilitate the development of a framework for building capacity to manage private-public partnership in infrastructure, and for fostering policy, regulatory, and institutional reforms."

Part B.5 of the Original Project is amended to read as follows: "Provision of technical assistance to Bangladesh Bank and relevant government agencies to: (i) assess infrastructure Investment Projects; (ii) carry out training and dissemination activities to promote infrastructure finance; and (iii) carry out environmental and social assessments and mitigate environmental and social risks."

Part B.6 of the Original Project is amended to read as follows: "Provision of technical advisory services to PICOM and PPP Cell: (i) in the area of policy and regulatory reform, awareness raising, capacity building, project pipeline monitoring and evaluation, and preparation of standard contract documentation; and (ii) in assisting the Recipient's ministries and sectoral agencies to implement the Private Sector Infrastructure Guidelines."

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Administration Agreement

In order to carry out the Project, the Recipient shall enter into an Administration Agreement with Bangladesh Bank pursuant to Section 5.01(a) of this Agreement, which shall include provisions set out in Part A of Schedule 4 to this Agreement. The Administration Agreement shall further include provisions that Bangladesh Bank shall administer the Credit on behalf of the Recipient, that the Recipient shall pay to Bangladesh Bank all its operating expenses incurred in administering the Credit, and that a portion of the proceeds of the Credit shall be utilized by Bangladesh Bank to provide Investment Loans through the Facility to PFIs in accordance with the procedures and terms and conditions set out in Schedule 5 to this Agreement.

B. Investment Loans and Investment Projects

1. The Recipient shall ensure that no Investment loan required for an Investment Project shall be eligible for financing out of the proceeds of the Credit, unless the Investment Loan has been made in accordance with the procedures and on the terms and conditions set forth or referred to in the Operations Manual, including those set out in Schedule 5 to this Agreement.
2. The Recipient shall cause Bangladesh Bank to exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of the Recipient and of the Association; (ii) comply with its obligations under this Agreement; and (iii) achieve the purposes of the Project.
3. The Recipient shall cause Bangladesh Bank to ensure compliance with the EMPs or the Environmental and Social Management Framework, as relevant, in accordance with the guidelines, time table and other technical specifications set forth in the EMPs and the Environmental and Social Management Framework, respectively.

C. Technical Assistance

1. In order to carry out Parts B.3, B.4, B.5 and B.6 of the Project, the Recipient shall cause Bangladesh Bank or an equivalent institution to implement the technical services agreement, acceptable to the Association, entered into with IIFC, or an equivalent qualified institution acceptable to the Association, under which IIFC or such equivalent qualified institution acceptable to the Association

shall carry out services including: (i) assisting Bangladesh Bank in the eligibility review of infrastructure Investment Projects submitted for financing; (ii) managing, on behalf of Bangladesh Bank, the selection and supervision of consultants to carry out environmental and social impact assessments for infrastructure Investment Projects; and (iii) assessing the training needs and arranging all offshore and local training/workshops under the Project.

D. Counterpart Fund

For the purposes of the Project, the Recipient shall contribute, from its own resources, an amount equivalent to twenty percent (20) of the amount disbursed by the Association from Category (1) in the table set forth in Section IV of Schedule 2 to this Agreement.

E. Anti-Corruption

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

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. 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 the indicators agreed with the Association. Each Project Report shall cover the period of six (6) calendar months, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than June 30, 2015.

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. 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 un-audited 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

A. General

1. **Goods and Works.** All goods and works 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 Schedule.
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 Schedule.
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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
 - (a) **Build Operate and Transfer (BOT)**
 - (i) An Investment Project under Part A of the Project shall be constructed, and operated and subsequently transferred under a contract awarded to an entrepreneur on the basis of international competitive bidding procedures in accordance with the provisions of Section II of the Procurement Guidelines, subject to the provisions of paragraph 3.13(a) thereof. The goods, works and services required for the construction of such Investment Project shall then be procured in accordance with the applicable procedures of said entrepreneur.
 - (ii) In those cases where an entrepreneur has not been selected in accordance with the procedures set forth in subparagraph (a)(i)

hereof, the goods and works to be financed out of the proceeds of the Credit required for an Investment Project under Part A to be constructed by such entrepreneur shall be procured under contracts awarded on the basis of international competitive bidding procedures in accordance with the provisions of Section II of the Procurement Guidelines, subject to the provisions of paragraph 3.13(b) thereof.

(b) Concession Contract

- (i) As an alternative to the BOT procurement arrangement referred to in paragraph (a) above, Investment Projects under Part A of the Project may be implemented through concessioning arrangement, satisfactory to the Association, through an entrepreneur on the basis of international competitive bidding procedures in accordance with the provisions of Section II of the Procurement Guidelines, subject to the provisions of paragraph 3.13(a) thereof. The goods, works and services required for the construction of such Investment Project shall then be procured in accordance with the applicable procedures of said entrepreneur.
- (ii) In those cases where an entrepreneur has not been selected in accordance with the procedures set forth in subparagraph (b)(i) hereof, the goods and works to be financed out of the proceeds of the Credit required for an Investment Project under Part A to be constructed by such enterprise shall be procured under contracts awarded on the basis of international competitive bidding procedures in accordance with, respectively, the provisions of Section II of the Procurement Guidelines, subject to the provisions of paragraph 3.13(b) thereof.

2. **Other Methods of Procurement of Goods and Works**

(a) Incumbent Concessionaires or Entrepreneurs

Notwithstanding the provision of paragraphs 1(a) and 1(b) above, goods and works required for financing expansion of existing Investment Projects, may be procured in accordance with procedures agreed with the Association, with prior approval of the Association, subject to the following:

- (i) the incumbent concessionaire/entrepreneur shall be a private company or a government-owned company satisfying the requirements of paragraph 1.8(c) of the Procurement Guidelines;

- (ii) procurement capacity of the concessionaire/entrepreneur is assessed to be at the level acceptable to the Association;
- (iii) the procurement procedures of the concessionaire/entrepreneur results in fair competition, economy, efficiency and transparency; and
- (iv) no preference is given to contractors belonging to the concessionaire/entrepreneurs' shareholders.

(b) Loans to Financial Intermediaries

In those cases where funds are provided to a financial intermediary to be re-lent to beneficiaries in the public and private sector for partial financing of Investment Projects, the goods and works to be financed out of the proceeds of the Credit required for an Investment Project under Part A to be constructed by such enterprise, may be, with prior approval of the Association, procured in accordance with the provisions of paragraph 3.12 of Section III of the Procurement Guidelines.

3. **Procurement of Goods and Works through the Recipient's Procurement Regulations.** The following table specifies the methods of procurement to be used in accordance with the Recipient's Procurement Regulations. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding ("NCB")
(b) Shopping

For the purpose of National Competitive Bidding, the following shall apply: (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 (2) 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, to be used in accordance with the Consultants' Guidelines for services procured internationally or the Recipient's Procurement Regulations for services procured locally. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Quality- and Cost-based Selection
(b) Fixed Budget Selection
(c) Least Cost Selection
(d) Consultants' Qualifications
(e) Single Source Selection
(f) Individual Consultants

D. Review by the Bank of Procurement Decisions

Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) all Investment Projects regardless of value, including complete documentation regarding the process of selection of an entrepreneur, or the goods or works procured by an entrepreneur, as the case may be; (b) each contract for goods following NCB, estimated to cost the equivalent of \$300,000 or more, and the first contract for goods regardless of value; (c) each contract for works following NCB, estimated to cost the equivalent of \$500,000 or more, and the first contract for works regardless of value; (d) all contracts procured following direct contracting; (e) each contract for consultants' services provided by a firm, estimated to cost the equivalent of \$100,000 or more; (f) each contract for services of individual consultants, estimated to cost the equivalent of \$50,000 or more; and (g) all contracts for consultants' services procured under Single Source Selection procedures. All other contracts shall be subject to Post Review by the Association.

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 this Section and such additional instructions as the Bank may specify by notice to the Recipient, 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:

Category	Amount of the Credit Allocated (Expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Investment Loans	163,130,000	60%
(2) Others (goods consultants’ services, training and Operating Costs)	4,570,000	100%
TOTAL AMOUNT	167,700,000	

3. For purposes of the Table in paragraph 2 above, term “Operating Costs” means costs incurred by the Recipient on account of the management and supervision of the Project, including the salaries of incremental staff, the cost of operation and maintenance of equipment and vehicles, and costs of consumables, fuel, bank charges, advertising expenses, and office utilities and supplies.

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, except that withdrawals up to an aggregate amount not to exceed \$15,000,000 equivalent may be made for payments made prior to this date but on or after November 1, 2009, for Eligible Expenditures under Category (1), provided that the requirements set out in paragraph B.1 of Section I of Schedule 2 to this Agreement have been met.
2. The Closing Date is December 31, 2014.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each February 15 and August 15:	
Commencing August 15, 2020 to and including February 15, 2030	1%
Commencing August 15, 2030 to and including February 15, 2050	2%

*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.

SCHEDULE 4

Procedures for and Terms and Conditions of Administration Agreement and Facility Loans

A. Administration Agreement

The Administration Agreement shall contain provisions, satisfactory to the Association, to ensure that the proceeds of the Credit are utilized by Bangladesh Bank to make Facility Loans to PFIs for the purpose of financing Investment Projects in accordance with the provisions of this Agreement and the Administration Agreement. Towards that end the Administration Agreement shall contain provisions requiring:

1. Bangladesh Bank to enter into a Master Facility Agreement with PFIs that meet the eligibility criteria set out in Part D of this Schedule.
2. Bangladesh Bank to ensure that each Master Facility Agreement contains procedures and terms and conditions satisfactory to the Recipient and the Association for the purpose of establishing the framework for making Facility Loans, including those set out in Part B of this Schedule.
3. Bangladesh Bank to ensure that it provides Facility Loans to PFIs under Facility Access Agreements in accordance with procedures, and containing terms and conditions, satisfactory to the Recipient and the Association, including those set out in Part C of this Schedule.
4. Bangladesh Bank to ensure that it disburses Facility Loans to PFIs against Investment Loans made in accordance with procedures and under terms and conditions set out in Schedule 5 to this Agreement.
5. Bangladesh Bank to provide Facility Loans to PFIs from the Facility for the purpose of financing Investment Projects in accordance with the provisions of this Agreement, the Administration Agreement, the Master Facility Agreement and the Operational Directives.
6. Bangladesh Bank to make Facility Loans under terms and conditions as set out in Part E of this Schedule.
7. Bangladesh Bank to duly perform all its obligations under the Administration Agreement, and except as the Association and the Recipient shall otherwise agree, Bangladesh Bank not to take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Administration Agreement or any provision thereof.

8. Bangladesh Bank shall carry out the Project in accordance with the provisions of the Anti-Corruption Guidelines.

B. Master Facility Agreement

Bangladesh Bank shall enter into a Master Facility Agreement with each PFI that meets the eligibility criteria set out in Part D of this Schedule. Except as the Recipient, Bangladesh Bank and the Association shall otherwise agree, the terms and conditions of each Master Facility Agreement shall, inter alia, provide that:

1. The PFI shall conduct its operations and affairs in accordance with sound financial standards and accounting and auditing practices, with qualified and experienced management and in accordance with its Charter, its Statement of Lending Policy as adopted and approved by its Board of Directors, and a three-year business plan for term lending, satisfactory to the Association.

2. The PFI shall establish and maintain procedures and operational policies, satisfactory to Bangladesh Bank, for the appraisal, supervision and monitoring of Facility Loans and Investment Loans.

3. The PFI shall, unless the Bangladesh Bank, the Recipient and the Association shall otherwise agree, ensure that Investment Loans will be made in accordance with the procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement.

4. The PFI shall exercise its rights in relation to each Investment Project in such manner as to: (i) protect the interests of Bangladesh Bank, the Recipient, the Association, and of the PFI; (ii) comply with its obligations under the Master Facility Agreement; and (iii) achieve the purpose of the Credit.

5. The PFI shall duly perform all its obligations under the Master Facility Agreement. Except as the Bangladesh Bank, the Recipient and the Association shall otherwise agree, the PFI shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Master Facility Agreement or any provision thereof.

6. The PFI shall, at the request of Bangladesh Bank, exchange views with Bangladesh Bank with regard to the performance of its obligations under the Master Facility Agreement and other matters relating to the purposes of the Credit.

7. The PFI shall promptly inform the Recipient and Bangladesh Bank of any condition which interferes or threatens to interfere with the accomplishment of the purposes of the Credit or the performance by the PFI of its obligations under the Master Facility Agreement.

8. The PFI shall maintain procedures and records adequate to monitor and record the progress of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting and auditing practices the operations and financial condition of the PFI.
9. The PFI shall enter into Facility Access Agreements with Bangladesh Bank for receiving Facility Loans.
10. The PFI shall carry out the Project in accordance with the provision of the Anti-Corruption Guidelines.
11. Facility Loans shall be disbursed to PFIs against Investment Loans made by PFIs to finance Investment Projects.
12. Bangladesh Bank shall make available Facility Loans in accordance with; inter alia, the provisions of the Facility Access Agreement.
13. The terms and conditions of Facility Loans shall be as set out in Part E of this Schedule.
14. The right of PFIs to use the proceeds of Facility Loans shall be suspended or terminated upon the suspension or termination of the related Investment Loans for the relevant Investment Project.
15. The PFIs to ensure their due diligence in all environmental and social safeguards matters, inter alia, in:
 - (a) ensuring that required clearances of environmental and social impact assessments have been obtained from DOE and the Association;
 - (b) ensuring that all EMPs, as cleared by DOE and the Association, are incorporated in the investment contract documentation; and
 - (c) providing Bangladesh Bank, the Recipient and the Association with annual reporting of all investments, their safeguard category and clearances, and any environmental or social commitments (such as EMPs) that have been incorporated in investment contracts.

C. Facility Access Agreement

Bangladesh Bank shall enter into a Facility Access Agreement with each PFI for each Facility Loan. Except as the Recipient, Bangladesh Bank and the Association shall otherwise agree, the terms and conditions of a Facility Access Agreement shall, inter alia, provide that:

1. The Facility Loan shall be utilized by the PFI to provide an Investment Loan for the purpose of financing an Investment Project.
2. The PFI shall, unless the Recipient, Bangladesh Bank and the Association shall otherwise agree, ensure that Investment Loans will be made in accordance with procedures and on the terms and conditions set forth or referred to in Schedule 5 to this Agreement.
3. In respect of the Facility Loan, the PFI shall comply with all its relevant obligations set out in the Master Facility Agreement.
4. The PFI shall duly perform all its obligations under the Facility Access Agreement. Except as Bangladesh Bank, the Recipient and the Association shall otherwise agree, the PFI shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the Facility Access Agreement or any provision thereof.
5. The PFI shall, at the request of Bangladesh Bank, exchange views with Bangladesh Bank with regard to the performance of its obligations under the Facility Access Agreement and other matters relating to the purposes of the Credit.
6. The PFI shall promptly inform Bangladesh Bank, the Recipient and the Association of any condition which interferes or threatens to interfere with the accomplishment of the purposes of the Credit or the performance by the PFI of its obligations under the Facility Access Agreement.
7. The PFI shall maintain procedures and records adequate to monitor and record the progress of each Investment Project (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the PFI.
8. The PFI shall annually carry out the audit of the Facility Loan under terms of reference satisfactory to the Bangladesh Bank.
9. The Facility Loan shall be disbursed to the PFI against an Investment Loan made by the PFI to finance an Investment Project.
10. The terms and conditions of the Facility Loan shall be as set out in Part E of this Schedule.
11. The right of the PFI to use the proceeds of the Facility shall be suspended or terminated upon the suspension or termination of the related Investment Loan for the relevant Investment Project.

D. Eligibility Criteria for PFIs

PFIs shall meet eligibility criteria satisfactory to the Association in order to participate, and to maintain its participation, in the Project; such criteria to include, inter alia: (i) adequate profitability, capital, and portfolio quality; (ii) acceptable levels of loan collections; (iii) appropriate capacity for Investment Project appraisal and supervising implementation; (iv) adequate capacity to mobilize domestic resources; (v) adequate managerial autonomy and commercially oriented governance; (vi) appropriate prudential policies, administrative structure, and business procedures; and (vii) adequate auditing and accounting practices and procedures.

E. Terms and Conditions of Facility Loans

Except as the Recipient, Bangladesh Bank and the Association shall otherwise agree, the terms and conditions of Facility Loans shall include, inter alia, the following:

1. Facility Loans shall be denominated in Taka; and, with prior approval of the Recipient and the Association, may be denominated in dollars.
2. Facility Loans shall be repaid over a period equivalent to the repayment period of the Investment Loans against which the Facility Loans are disbursed.
3. The eligibility criteria and the procedures for Facility Loans shall include those set out in the Operational Directive and the Operations Manual.
4. The interest rate shall be as follows:
 - (a) The interest rate on Facility Loans shall be standardized across PFIs. The grace period and amortization schedule shall match that of Investment Loans extended by PFIs.
 - (b) Facility Loan interest rates shall be on the basis of a margin over the marketable government borrowing instrument with maturity closest to the interest resetting mechanism of the loan. The interest rate for a fixed rate bullet loan shall be set at 0.20 per cent above the equivalent maturity government bond rate. The interest rate for a fixed rate amortizing loan shall be set at 0.20 per cent above the rate of the government bond having a maturity closest to the average life of the loan. The interest for a floating rate loan shall be set at 0.30 per cent above the interest rate of the Recipient's Treasury Bill maturing closest to the interest rest date of the loan. Interest rates for the government securities to be used as reference rates for Taka Facility Loans shall be as disclosed on the Bangladesh Bank's webpage.

- (c) For any Facility Loans made to PFI in Dollars, or any other convertible currency, the interest rate will be 0.30 per cent above the relevant interbank rate for floating rate loans (interest rates resetting every twelve (12) months or less) and 0.20 per cent above the relevant swap rate for fixed rate loans, as determined by the International Swaps and Derivatives Association (ISDAFIX).

SCHEDULE 5

Procedures for, and Terms and Conditions of, Investment Loans

1. Unless otherwise agreed by the Recipient, Bangladesh Bank and the Association shall otherwise agree, Investment Loans shall be denominated in Taka.
2. The interest rate on Investment Loans shall be determined by the respective PFI in accordance with its usual lending practices.
3. Investment Loans shall be repaid over a period of time not exceeding twenty (20) years determined by the respective PFI in accordance with its usual lending practices.
4. The amortization schedule applicable to each Investment Loan financed out of the proceeds of an Investment Loan shall conform to the amortization schedule of the applicable Investment Loan.
5. No expenditures for goods or services required for an Investment Project shall be eligible for financing out of the proceeds of the Credit unless:
 - (a) the Investment Loan for such Investment Project shall have been approved by the Association and such expenditures shall have been made not earlier than one hundred twenty (120) days prior to the date on which the Association shall have received in respect of such Investment Loan the application and information required under paragraph 6(a) of this Schedule in respect of such Investment Loan; or
 - (b) the Investment Loan for such Investment Project shall have been an Investment Loan for which the Association has authorized withdrawals from the Credit Account without prior approval by the Association and such expenditures shall have been made not earlier than one hundred twenty (120) days prior to the date on which the Association shall have received the request and information required under paragraph 7(b) of this Schedule in respect of such Investment Loan.
6. (a) When presenting an Investment Loan to the Association for approval, the Recipient shall cause Bangladesh Bank to forward to the Association an application submitted by a PFI, in form satisfactory to the Association, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the Credit, environmental management plan(s), resettlement action plans, and/or indigenous peoples plan(s), as the case may be, if required pursuant to the provisions of the Environmental and Social Management Framework; (ii) the proposed terms and conditions of the Investment Loan, including the schedule of amortization of the

Investment Loan; and (iii) such other information as the Association shall reasonably request.

- (b) Each request by the Recipient for authorization to make withdrawals from the Credit Account in respect of an Investment Loan for which prior approval by the Association is not required shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the probable environmental and social impacts and of the expenditures proposed to be financed out of the proceeds of the Credit, (ii) the terms and conditions of the Investment Loan, including the schedule of amortization therefor; (iii) the description of mechanism designed to ensure that all environmental and social safeguards matters have been addressed, consistently with the EIA, the EMPs, and the Environmental and Social Management Framework; and (iv) a certification that the carrying out of the Investment Project will not be located inside a protected area.
- (c) All Investment Loans by a PFI shall be subject to prior approval by the Association. However, Investment Loans by such PFI may be exempt from prior approval as the Association shall agree.
- (d) Applications and requests made pursuant to the provisions of paragraphs (a) and (b) of this Section shall be presented to the Association within thirty (30) days upon receiving positive comments on the eligibility review; environmental and social impact assessments for the Project; and the mitigation measures to address such environmental and social impacts.
- (e) Applications and requests made pursuant to the provisions of paragraphs (a) and (b) of this Section shall also include evidence that the Investment Project proposed to be financed out of the proceeds of the Investment Loan does not include coal-fired power plants, and activities of a military or paramilitary nature or activities in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient.

<u>Group</u>	<u>Description of Items</u>
112	Alcoholic beverages
121	Tobacco, unmanufactured, tobacco refuse
122	Tobacco, manufactured (whether or not) containing tobacco substitutes)

<u>Group</u>	<u>Description of Items</u>
525	Radioactive and associated materials
667	Pearls, precious and semi-precious stones, unworked or worked
718	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728.43	Tobacco processing machinery
897	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971	Gold, non-monetary (excluding gold ores and concentrates)

7. Investment Loans shall be made on terms whereby the PFI shall obtain, by written contract with the Investment Enterprise or by other appropriate legal means, rights adequate to protect the interests of the Recipient, the Association and the PFI, including the right to:

- (a) require the Investment Enterprise to: (i) carry out and operate the Investment Project with due diligence and efficiency, in accordance with the provisions of the Anti-corruption Guidelines, and in accordance with sound technical, financial, managerial, social and environmental standards and practices acceptable to the Association; (ii) maintain adequate records; and (iii) provide, promptly as needed, the resources and labor required for the carrying out of the Investment Project;
- (b) require that: (i) the goods and services to be financed out of the proceeds of the Credit shall be procured in accordance with established commercial practices and procedures satisfactory to the Association; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;
- (c) require the Investment Enterprise to carry out the EMPs and the Environmental and Social Management Framework in a manner satisfactory to the PFI, Bangladesh Bank, the Recipient and the Association;

- (d) require the Investment Enterprise to annually carry out the audit of the Investment Project under terms of reference satisfactory to the PFI;
- (e) inspect, by itself or jointly with representatives of the Association if the Association shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;
- (f) require that: (i) the Investment Enterprise shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity thereunder to be made payable in a currency freely usable by the Investment Enterprise to replace or repair such goods;
- (g) obtain all such information as the Recipient, the Association or the PFI shall reasonably request relating to the foregoing and to the administration, operation and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and
- (h) suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under its contract with the PFI.

APPENDIX

Section I. Definitions

1. “Administration Agreement” means an agreement to be entered into between the Recipient and Bangladesh Bank (as hereinafter defined) pursuant to the provisions of Section 5.01 of this Agreement, as the same may be amended from time to time, and such term includes any schedules to such Administration Agreement.
2. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
3. “Bangladesh Bank” means the bank called the Bangladesh Bank established by the Recipient’s Bangladesh Bank Order, 1972 (President’s Order No. 127 of 1972) for the purpose of carrying out the business of central banking.
4. “Bangladesh Bank Order” means the Order referred to in paragraph 3 above.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “Displaced Person” means a person, a group of persons or a community, who, on account of the execution of the Project, experiences direct adverse 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, totally or partially; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the restriction to access to the natural resources of protected areas resulting in adverse impacts on the livelihood of a person, group of persons or communities, and Displaced persons means more than one Displaced Person.
8. “DOE” means the Recipient’s Department of Environment or any successor thereto.
9. “EIA” means the Environmental Impact Assessment to be prepared in accordance with the provisions of the Environmental and Social Management Framework and to be carried out by the Investment Enterprise while implementing the Investment Project (as hereinafter defined) for which

financing will be sought from the PFI from the proceeds of the Credit; such EIA to include an Environmental Management Plan.

10. “Environmental and Social Management Framework” means the framework instrument, dated January 28, 2010, adopted by the Recipient, and referred to in paragraph B.3 of Section I of Schedule 2 to this Agreement which sets forth the principles and procedures, governing: (a) the environmental impact screening of works to be carried out under an Investment Project prior to the approval of a related Investment Loan, and the environmental protection measures, if any, required to be undertaken by the respective Investment Enterprise in order to avoid or mitigate potential adverse environmental impacts resulting from such works; (b) land or other asset acquisition from, resettlement and rehabilitation of and compensation to, Displaced Persons, as well as reporting and monitoring arrangements to ensure compliance with said principles, and for the preparation of resettlement action plans whenever required in the carrying out of Investment Project activities; and (c) the indigenous peoples plan to be implemented or cause to be implemented by the Investment Enterprise in the carrying out of the Investment Project pursuant to the provisions of said framework, which plan includes special planning measures or actions to be undertaken by the relevant Investment Enterprise aimed at ensuring that through informed consultation the indigenous peoples receive the benefits from the Investment Project in a culturally compatible manner acceptable to them, and do not suffer adverse effects as a result of the implementation of the Investment Project; as said Framework may be revised from time to time with the prior approval of the Association.
11. “EMPs” means, collectively, the Environmental Management Plans, prepared and to be prepared pursuant to the requirements of the Environmental and Social Management Framework, providing for detailed measures to mitigate the adverse impact of Investment Projects (as hereinafter defined).
12. “Facility” means the Investment Promotion and Financing Facility created within Bangladesh Bank by a Circular for the purpose of providing Facility Loans to PFIs to be utilized for financing infrastructure Investment Projects (as hereinafter defined) through the provision of Investment Loans (as hereinafter defined).
13. “Facility Access Agreements” means the Agreement referred to in Part C of Schedule 4 to this Agreement.
14. “Facility Loans” means any loan provided by Bangladesh Bank to PFIs under Facility Access Agreement for the purpose of providing Investment Loans.
15. “Fiscal Year” means the Recipient’s Fiscal Year commencing on July 1 and ending on June 30 of the following year.

16. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006), with the modifications set forth in Section II of this Appendix.
17. “IIFC” means Infrastructure Investment Facilitation Center, an entity incorporated as a company limited by guarantee, under the Recipient’s Companies Act 1994.
18. “IIFC Technical Services Agreement” means the agreement referred to in Part C1 of Section I of Schedule 2 to this Agreement.
19. “Investment Enterprise” means a private enterprise or an enterprise in which private shareholders have majority ownership, and to which a PFI proposes to make or has made an Investment Loan (as hereinafter defined).
20. “Investment Loan” means a loan made by or proposed to be made by a PFI out of the proceeds of the Facility for financing Investment Projects (as hereinafter defined).
21. “Investment Project” means a specific Investment Project in the infrastructure sector to be carried out by an Investment Enterprise utilizing the proceeds of an Investment Loan.
22. “Master Facility Agreement” means the agreement entered into between Bangladesh Bank and PFIs setting out the general conditions in respect of the Facility Loans.
23. “Operational Directives” means the Operational Directives issued by Bangladesh Bank for the purpose of regulating the operation of the Facility.
24. “Operations Manual” means the manual, dated January 11, 2010, and referred to in paragraph B.1 of Section I of Schedule 2 to this Agreement, as such manual may be revised from time to time with the prior agreement of the Association.
25. “Original Financing Agreement” means the financing agreement for the Investment Promotion and Financing Facility Project between the Recipient and the Association, dated June 1, 2006, as amended to the date of this Agreement (Credit No. 4169-BD).
26. “Original Project” means the Project described in the Original Financing Agreement.
27. “PFI” and “Participating Financial Institution” mean a Financial Institution and/or a Commercial Bank that meets the eligibility criteria for participating in the Project as set out in Part D of Schedule 4 to this Agreement.

28. "PICOM" means Private Infrastructure Committee, established by the Recipient, under the Prime Minister's Office, for overseeing all private sector projects, or any successor thereto.
29. "PICOM Technical Services Agreement" means the agreement dated June 23, 2005, and referred to in Part C.1 of Section I of Schedule 2 to this Agreement.
30. "PPP" means public-private partnerships.
31. "PPP Cell" means the entity responsible for, managing PPPs in Bangladesh, established under the Prime Minister office.
32. "Private Sector Infrastructure Guidelines" means the Recipient's guidelines for the development of infrastructure issued in October 2004.
33. "Procurement Guidelines" means the "Guidelines: Procurement under IBRD Loans and IDA Credits" published by the Bank in May 2004 and revised in October, 2006.
34. "Procurement Plan" means the Recipient's procurement plan for the Project, dated March 22, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
35. "Procurement Regulations" mean, collectively, the Recipient's Public Procurement Act 2006, the Recipient's Public Procurement Rules 2008 (as amended in August 2009), and the Recipient's Public Procurement Act (1st Amendment) 2009.
36. "SITC" means the Standard International Trade Classification, Revision 3 (SITC. Rev. 3 (1986) and such other future revisions as adopted by the Borrower and agreed by the Association.
37. "Statement of Operational Policies and Procedures" means the Statement of Operational Policies and Procedures relating to the Project, adopted by Bangladesh Bank.
38. "Taka" or "Tk" mean Bangladeshi Taka, the currency of the Recipient.

Section II. Modifications to the General Conditions

The modifications to the General Conditions for Credits and Grants of the Association, dated July 1, 2005 (as amended through October 15, 2006) are as follows:

2. Paragraph (i) of Section 6.02 is modified to read as follows:

“Section 6.02. *Suspension by the Association*

... (1) *Ineligibility.* The Association or the Bank has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by the Association or the Bank or otherwise to participate in the preparation or implementation of any project financed in whole or in part by the Association or the Bank, as a result of a determination by the Association or the Bank that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by the Association or the Bank.”