

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF051301

Global Environment Facility Trust Fund Grant Agreement

(Rural Electrification and Renewable Energy Development Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated July 16, 2002

GEF TRUST FUND GRANT NUMBER TF051301

GLOBAL ENVIRONMENT FACILITY TRUST FUND GRANT AGREEMENT

AGREEMENT, dated July 16, 2002, between PEOPLE'S REPUBLIC OF BANGLADESH (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991, of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, *inter alia*, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution No. 94-2);

(C) the second replenishment of the GEF Trust Fund was approved on the basis set forth in Resolution No. 98-2 of July 14, 1998, of the Executive Directors of the Bank (Resolution No. 98-2);

(D) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2, and to be funded from contributions to the GEF Trust Fund under Resolution No. 98-2, which may include funds carried over from the first replenishment of the GEF Trust Fund under Resolution No. 94-2;

(E) the Recipient has also requested International Development Association (the Association) to provide additional financing towards the financing of the Project by an agreement of even date herewith between the Recipient and the Association (the Development Credit Agreement);

(F) the Bank has received a letter, dated April 6, 2002, from the Recipient, describing a program of actions, objectives and policies designed to strengthen the performance of the Recipient's rural electricity sub-sector (the Letter of Assurances) and declaring the Recipient's commitment to the execution of the provision of the Letter of Assurances;

(G) Part B of the Project will be carried out by Rural Electrification Board (REB) with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the GEF Trust Fund Grant provided for in Article II of this Agreement (the Credit) available to REB, as set forth in this Agreement;

(H) Part C of the Project will be carried out by Infrastructure Development Company Limited (IDCOL), as an agent of the Recipient, with the Recipient's assistance and, as part of such assistance, the Recipient will make the proceeds of the GEF Trust Fund Grant provided for in Article II of this Agreement (the Credit) available to IDCOL, as set forth in this Agreement; and

WHEREAS the Bank has agreed, on the basis, *inter alia*, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01 (a) The following provisions of the General Conditions Applicable to Loan and Guarantee Agreements for Currency Pool Loans of the Bank, dated January 1, 1985, (as amended through October 6, 1999), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (1), (2), (3), (4), (6), (8), (9), (10), (15), (16), (17), (19) and (20), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Section 4.01 and the first sentence of Section 4.09;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02(c), (e), (f), (i), (l), (m), (n), (o), and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01(a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Sections 12.01(a) and (c), 12.02(a) and (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) a new paragraph shall be added to the end of Section 2.01 to read as follows: “the term “Special Drawing Rights” and the symbol “SDR” mean special drawing rights as valued by the International Monetary Fund in accordance with its Articles of Agreement”;
 - (ii) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01 (8) and 6.02 (f) thereof and the last use of such term in Section 5.01 thereof, means the Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also

include the Bank acting in its own capacity;

- (iii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iv) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (v) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (vi) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vii) The second sentence of Section 5.01 is modified to read: “Except as the Bank and the Recipient shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a member of the Bank or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Bank, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.”; and
- (viii) a new subparagraph is added after subparagraph (j) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth; and the following additional terms have the following meanings:

(a) “Agency and Administration Agreement” means the agreement to be entered into between the Recipient and IDCOL (as hereinafter defined) pursuant to Section 3.01 (b) of this Agreement as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the Agency and Administration Agreement;

(b) “Beneficiary” means any household unit or a private enterprise, for whose benefit a Subproject (as hereinafter defined) is being, or will be, carried out;

(c) “DOE” means the Borrower’s Department of Environment;

(d) “Environmental and Social Framework” or “ESF” means the Environmental and Social Framework adopted on January 19, 2002, by the Recipient and REB (as hereinafter defined) detailing the measures proposed to address the adverse environmental and social impact of investments under the Project;

(e) “FY” or “Fiscal Year” means the fiscal year of the Recipient commencing on July 1 and ending on June 30 of the following year;

(f) “IDCOL” means Infrastructure Development Company Limited, a body corporate established and existing under the Bangladesh Companies Act (1994);

(g) “IDCOL Project Agreement” means the agreement between the Bank and IDCOL of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the IDCOL Project Agreement;

(h) “Memorandum and Articles of Association” means the Memorandum and Articles of Association of IDCOL, dated May 14, 1997, as amended to the date of this Agreement;

(i) “MFI” means any micro finance institution operating under the laws of the Recipient;

(j) “NGO” means any non-governmental organization operating under the laws of the Recipient;

(k) “Operating Guidelines” means the operating guidelines for IDCOL, approved by the Association, which sets out the eligibility criteria of Subprojects (as hereinafter defined), guidelines for appraisal, approval and supervision of Subprojects, and the terms and conditions applicable to Sub-grants (as hereinafter defined);

(l) “Participation Agreement” means the agreement to be entered into between IDCOL and a Participating Organization (as hereinafter defined), pursuant to paragraph 3 of Schedule 4 to this Agreement, for the purpose of promoting renewable energy sub-projects in the Territory of the Borrower;

(m) “Participating Organization” means any MFI, NGO or private enterprise which participate in the carrying out of Part C of the Project, and which has entered into a Participating Agreement with IDCOL;

(n) “PBS” means Palli Bidyut Samity, any cooperative organization established under the laws of the Recipient, to operate and manage a rural electrification scheme;

(o) “RAPSS” means remote area power supply system, a scheme to generate and supply electricity in remote or isolated areas without connection to the main grid;

(p) “REB” means the Rural Electrification Board established by the Recipient’s Rural Electrification Board Ordinance, 1977;

(q) “REB Project Agreement” means the agreement between the Bank and REB of even date herewith, as the same may be amended from time to time, and such term includes all schedules and agreements supplemental to the REB Project Agreement;

(r) “REB Subsidiary Financing Agreement” means the agreement to be entered into between the Recipient and REB pursuant to Section 3.01 (b) of this Agreement, as the same may be amended from time to time, and such term includes all schedules to the REB Subsidiary

Financing Agreement;

(s) "Special Accounts" means the Convertible Taka Special Account (CONTASA) accounts referred to in Section 2.02(b) of this Agreement; and described in the Circular dated September 2, 1991 as revised on May 4, 1992 and December 24, 1992 of the Finance Division of the Recipient's Ministry of Finance entitled "Procedures for Operation of Convertible Taka Special Account of IDA Aided Development Projects Under Government-Departments/Autonomous/Semi-Autonomous Bodies," as such Circular may be amended from time to time in agreement with the Bank;

(t) "Subgrant Agreement" means an agreement for a Subgrant referred to in paragraphs 2 and 3 of Schedule 4 to this Agreement;

(u) "Subgrant" means a loan made or proposed to be made by IDCOL out of the proceeds of the GEF Trust Fund Grant to a Participating Organization for a Subproject or Subprojects;

(v) "Subproject" means a scheme, activity or service financed, or proposed to be financed through Subgrants made through IDCOL under Part C of the Project, which meets the criteria set forth in the Operating Guidelines; and

(w) "Taka" means the currency of the Recipient.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount in various currencies equivalent to six million six hundred thousand Special Drawing Rights (SDR 6,600,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for carrying out the Project and to be financed out of the proceeds of the GEF Trust Fund Grant.

(b) the Recipient shall open and maintain in Taka two separate special deposit accounts, for REB (REB Special Account) and IDCOL (IDCOL Special Account), in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, each Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be June 30, 2008, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, without any limitation or restriction upon any of its other obligations under the GEF Trust Fund Grant Agreement, shall cause:

- (i) REB to perform in accordance with the provisions of the GEF Trust Fund REB Project Agreement all the obligations of REB therein set forth, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable REB to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance; and
- (ii) IDCOL to perform in accordance with the provisions of the GEF Trust Fund IDCOL Project Agreement all the obligations of IDCOL therein set forth, shall take and cause to be taken all actions, including the provision of funds, facilities, services and other resources, necessary or appropriate to enable IDCOL to perform such obligations, and shall not take or permit to be taken any action which would prevent or interfere with such performance.

(b) The Recipient shall:

- (i) make available the proceeds of the GEF Trust Fund Grant allocated from time to time to Category 1 of the table set forth in paragraph 1 of Schedule 1 to this Agreement to REB under a subsidiary financing agreement to be entered into between the Recipient and REB (REB Subsidiary Financing Agreement), under terms and conditions which shall have been approved by the Bank; and
- (ii) make available the proceeds of the GEF Trust Fund allocated from time to time to Categories 2, 3, 4 and 5 of the table set forth in paragraph 1 of Schedule 1 to this Agreement to IDCOL under an Agency and Administration Agreement to be entered into between the Recipient and IDCOL under terms and conditions which shall have been approved by the Bank, which shall include those set forth or referred to in the Schedule to the IDCOL Project Agreement.

(c) The Recipient shall exercise its rights under the REB Financing Agreement and the Agency and Administration Agreement in such manner as to protect the interests of the Recipient and the Bank and to accomplish the purposes of the GEF Trust Fund, and, except as the Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the REB Subsidiary Financing Agreement and the Agency and Administration Agreement or any provision thereof.

Section 3.02. Except as the Bank 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 GEF Trust Fund shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

Section 3.04. The Recipient and the Bank hereby agree that 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): (i) in respect of Part B of the Project shall be carried out by REB pursuant to Section 2.03 of the REB Project Agreement; and (ii) in respect of Part C of the Project shall be carried out by IDCOL pursuant to Section 2.03 of the IDCOL Project Agreement.

Section 3.05. The Recipient shall take all necessary measures to facilitate the implementation of the ESF by REB and IDCOL.

ARTICLE IV

Financial Conditions

Section 4.01. (a) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of statements of expenditure, the Recipient shall:

- (i) maintain or cause to be maintained in accordance with sound accounting practices, records and separate accounts reflecting such expenditures;
- (ii) ensure that all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures are retained until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made; and
- (iii) enable the Bank's representatives to examine such records.

(b) The Recipient shall:

- (i) have the records and accounts referred to in paragraph (a) (i) of this Section and those for the Special Accounts for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested, including a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional events are specified:

- (a) as a result of events which have occurred after the date of this Agreement, an extraordinary situation shall have arisen which shall make it improbable that the Letter of Assurances or a significant part thereof will be carried out;
- (b) IDCOL shall have failed to perform any of its obligations under the IDCOL Project Agreement;
- (c) REB shall have failed to perform any of its obligations under the REB Project Agreement;
- (d) As a result of events which have occurred after the date of the Development Credit Agreement, an extraordinary situation shall have arisen which shall make it improbable that IDCOL and REB will be able to perform their obligations under the IDCOL Project Agreement and the REB Project Agreement;
- (e) The Memorandum and Articles of Association shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of IDCOL or its ability to carry out the Project or to perform any of its obligations under the Project Agreement or the Agency and Administration Agreement;
- (f) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of IDCOL or for the suspension of its operations;
- (g) The Ordinance establishing REB shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of REB or its ability to carry out the Project or to perform any of its obligations under the Project Agreement or the Subsidiary Financing Agreement;
- (h) The Recipient or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of REB or for the suspension of its operations;

(i) the right of the Recipient, to make withdrawals under the Development Credit Agreement shall have been suspended.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the following additional events are specified:

(a) any events specified in paragraphs (b) and (c) of Section 5.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Bank to the Borrower; and

(b) any events specified in paragraphs (e), (f), (g) and (h) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following event is specified as condition to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions, namely that the Development Credit Agreement has entered into force and effect.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representatives of the Recipient; Addresses

Section 7.01. The Secretary, or the Additional Secretary, or any Joint Secretary, or Deputy Secretary or Senior Assistant Secretary or Assistant Secretary or Joint Chief, or Deputy Chief or Senior Assistant Chief or Assistant Chief of the Economic Relations Division of the Ministry of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02 The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

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

Cable address:	Telex:	Facsimile:
BAHIRSAMPAD Dhaka	642226 SETU BJ	88028113088

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)

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, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Anisul Huq Chowdhury

Authorized Representative

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
as an implementing agency of the Global Environment Facility

By /s/ Frederick Temple

Country Director, Bangladesh

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

1. The table below sets forth the Categories of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to each Category and the percentage of expenditures for items so to be financed in each Category:

Amount of the

<u>Category</u>	<u>GEF Trust Fund Grant Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Installation Grants under Part B	1,130,000	100%
(2) Goods under Part C	70,000	100% of foreign expenditures, 100% of local expenditures (ex- factory cost) and 85% of expenditures for other items procured locally
(3) Consultants' services and training under Part C	2,010,000	80%
(4) Subgrants under Part C	2,810,000	100%
(5) IDCOL Fees	480,000	100%
(6) Unallocated	100,000	
TOTAL	6,600,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Recipient for goods or services supplied from the territory of any country other than that of the Recipient;

(b) the term "local expenditures" means expenditures in the currency of the Recipient or for goods or services supplied from the territory of the Recipient;

(c) the term "Installation Grants" means payment made to REB on account of the installation of solar home systems under Part B of the Project; and

(d) the term "IDCOL Fees" means fees paid to IDCOL for costs incurred by IDCOL on account of the implementation of Part C of the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement;

(b) Subgrant under Category 4, unless the Subgrant has been made in accordance with the eligibility criteria and procedures and on the terms and conditions set forth or referred to in the Operating Guidelines, and the provisions of Schedule 4 to this Agreement; and

(c) payments made for expenditures for goods and services supplied under a contract which any national or international financing institution or agency shall have financed or agreed to finance under any other credit or grant.

4. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditure for expenditures for (a) goods and works under contracts costing less than \$300,000 equivalent each, (b) services of firms under contracts costing less than \$100,000 equivalent each; (c) services of individual consultants under contracts costing less than \$50,000 equivalent each; (d) training, and IDCOL fees; (e) Subgrants below the equivalent of \$100,000; and (f) Installation Grants below the equivalent of \$50,000, under such terms and conditions as the Bank shall specify by notice to the Recipient.

5. If the Bank shall have determined at any time that any payment made from the GEF Trust Fund Grant Account was used for any expenditure not consistent with the provisions of this Agreement, the Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used or the portion thereof as specified by the Bank.

SCHEDULE 2

Description of the Project

The objective of the Project is to support the Recipient's vision of attaining a higher level of social development and economic growth by increasing access to electricity in rural areas.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives:

Part A: Rural Electrification Expansion, Intensification and Rehabilitation

1. Construction of about 10,000 km of new electricity distribution lines, and construction of sub-stations in 45 PBSs.

2. Carrying out of a distribution area rationalization program covering about 9,400 km lines and associated facilities to be taken over, including the rehabilitation of existing assets, and construction of new lines and new sub-stations in taken over areas.

3. Establishment and operation of a loss reduction program in 45 PBSs.

4. Provision of equipment and technical advisory services, *inter alia*, for REB/PBS institutional development, financial restructuring, socioeconomic impact monitoring and evaluation, environmental safeguards, and poverty reduction aspects of electricity provision.

Part B: REB Solar Program

1. Carrying out, through the PBSs, of a fee-for-service based solar home systems program, including the installation of about 14,000 such systems.
2. Provision of equipment and technical advisory services for capacity building, monitoring and evaluation, and for the promotion of productive use of electricity and strengthening of the renewable energy market.

Part C: IDCOL Renewable Energy Program

1. Installation, through Participating Organizations, of about 50,000 solar home systems for use in rural homes and enterprises, including the making of Subgrants to the eligible Participating Organizations.
2. Development of small power schemes based on renewable energy, including hydro, wind and biomass, and RAPSS, through the provision of Subgrants.
3. Provision of equipment, technical advisory and related administrative services for strengthening IDCOL.
4. Provision of technical advisory services to assist the Participating Organizations and IDCOL with the carrying out of Subprojects, organization of workshops, information dissemination and capacity building, and monitoring and evaluation of the impact of this Part C of the Project.

* * *

The Project is expected to be completed by December 31, 2007.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with: (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines); and (b) the provisions of the following Parts of this Section I.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.
2. The following provisions shall apply to goods to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$300,000 equivalent or more each.

(b) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Goods estimated to cost less than \$300,000 equivalent per contract, up to an aggregate amount not to exceed \$3,000,000 equivalent, and all works regardless of size, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section I of the Procurement Guidelines:

- (i) standard bidding documents approved by the Association shall be used;
- (ii) invitations to bids shall be advertised in at least one widely circulated national daily newspaper and bidding documents shall be made available to prospective bidders, at least 28 days prior to the deadline for the submission of bids;
- (iii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (iv) bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (vi) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any let or hindrance;
- (vii) bidders may deliver bids, at their option, either in person or by courier service or by mail;
- (viii) all bidders shall provide bid security as indicated in the bidding

documents. A bidder's bid security shall apply only to a specific bid;

- (ix) bids shall be opened in public in one place immediately, but no later than one hour, after the deadline for submission of bids;
- (x) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;
- (xi) a bid shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (xii) split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder; and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
- (xiii) contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances;
- (xiv) extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than eight weeks; and (B) for all subsequent requests for extensions irrespective of the period;
- (xv) negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xvi) re-bidding shall not be carried out without the Association's prior concurrence; and
- (xvii) all contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

2. International or National Shopping

Goods (excluding vehicles), estimated to cost less than \$30,000 equivalent per contract, and vehicles estimated to cost less than \$60,000 per contract, up to an aggregate amount not to exceed \$400,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Computer software, books and training materials, estimated to cost the equivalent of \$2,000 equivalent or less per contract, or \$100,000 or less in the aggregate, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Bank of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

With respect to each contract estimated to cost the equivalent of \$300,000 or more, and the first two contracts procured in accordance with the provisions of Part C.1 of this Schedule, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services, estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget

Services for promotional activity, installation and monitoring of solar home system, procurement supervision, computer training and audit, estimated to cost less than \$300,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

2. Least-cost Selection

Services for engineering design and supervision of system loss reduction of taken-over lines, estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

3. Single Source Selection

Services for environmental impact assessment, and training activities relating to globalization perspective, system design, material inspection, information technology, management information system, project financing, and management, which are estimated to cost less than \$75,000 equivalent per contract, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Bank of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Implementation Program

Part A: Mid-term Review

1. The Recipient, in conjunction with REB and IDCOL, 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 Bank, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Bank, on or about June 30, 2005, 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 the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by July 31, 2005, or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion 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.

Part B: Subgrants

2. (a) The Recipient shall ensure that, except as the Bank shall otherwise agree, Subprojects shall be promoted, identified, appraised, approved, carried out and monitored in accordance with the procedures and other provisions set forth or referred to in the Operating Guidelines.

(b) Participating Organizations applying for any Subgrants provided under the Project shall meet relevant eligibility criteria set out in the Operating Guidelines and ESF with respect to the making of Subgrants.

3. The Recipient shall cause IDCOL to enter into Participation Agreements or Subgrant Agreements, as the case may be, in form and substance satisfactory to the Bank as a condition for the making of Subgrants for Subprojects. The terms and conditions of each Agreement shall, *inter alia* :

(a) require that the Participating Organization: (i) carries out the Subproject with due diligence and efficiency and in accordance with sound technical, financial, environmental and managerial standards; and (ii) maintains adequate records to reflect, in accordance with sound accounting practices, the operations, resources and expenditures relating to the Subproject;

(b) require that the goods, works and services to be financed from the proceeds of the Subgrants shall: (i) be procured in accordance with procedures ensuring efficiency and economy and in accordance with the provisions of Schedule 3 to this Agreement; and (ii) be used exclusively in the carrying out of the Subproject or Subprojects; and

(c) reserve for the Recipient the right to:

(i) inspect by itself, or jointly with the Bank, if the Bank shall so request, the goods, works, sites, and construction included in the Subproject or Subprojects, the operations thereof and any relevant records and documents;

(ii) obtain all information as the Recipient or the Bank shall reasonably request regarding the administration, operation and financial conditions of the Participating Organizations; and

(iii) suspend or terminate the right of the Participating Organization to use the proceeds of the Subgrant upon the failure by the Participating

Organization to perform any of its obligations under the Subgrant Agreement or the Participation Agreement, as the case may be.

SCHEDULE 5

Special Accounts

1. For the purpose of this Schedule:

(a) “Eligible Categories” means (i) Categories 2, 3, 4 and 5 set forth in the table in Schedule 1 to this Agreement, in respect of the IDCOL Special Account; and (ii) Category 1 set forth in said table in respect of the REB Special Account;

(b) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement; and

(c) “Authorized Allocation” means: (i) for IDCOL Special Account, an amount equivalent to Taka 25,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to Taka 15,000,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 1,000,000; and (ii) for REB Special Account, an amount equivalent to Taka 7,000,000 to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2(a) of this Schedule, provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to Taka 4,000,000 until the aggregate amount of withdrawals from the GEF Trust Fund Grant Account plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 200,000.

2. After the Bank has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the GEF Trust Fund Grant Account and deposit in the Special Account such amount or amounts as the Recipient shall have requested.

(b) (i) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.

(ii) Prior to or at the time of each such request, the Recipient shall furnish to the Association the documents and other evidence required pursuant to paragraph 3 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the

Bank shall, on behalf of the Borrower, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

3. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

4. Notwithstanding the provisions of paragraph 2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if, at any time, the Bank shall have determined that all further withdrawals should be made by the Recipient directly from the GEF Trust Fund Grant Account in accordance with the provisions of Article V of the General Conditions and Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Bank pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant allocated to the eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

5. (a) If the Bank shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount which was not Eligible Expenditure; or (ii) was not justified by the evidence furnished to the Association, the Recipient shall, promptly upon notice from the Association: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Recipient shall, promptly upon notice from the Association, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to paragraphs 5(a), (b) and (c) of this Schedule shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

