USAID Co-financing Trust Fund Grant Agreement

(Rural Electrification and Renewable Energy Development Project II)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the United States Agency for International Development
Trust Fund for the Rural Electrification and Renewable
Energy Development Project II

Dated July 10, 2013
GRANT AGREEMENT


WHEREAS (A) under an agreement dated October 23, 2012, between the Recipient and the World Bank (“Financing Agreement”), the World Bank agreed to provide the Recipient with a credit in an amount equivalent to one hundred two million and eight hundred thousand Special Drawing Rights (SDR 102,800,000) (variously, “Credit” and “Financing”) to assist in financing the Rural Electrification and Renewable Energy Development Project II described in Schedule 1 to the Financing Agreement;

(B) the Recipient has requested the World Bank to provide additional financial assistance in support of additional activities related to Part A of the project described in the Financing Agreement, by making available to the Recipient a grant from the United States Agency for International Development (“USAID”);

WHEREAS the World Bank has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the Financing Agreement or this Agreement.
Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall cause the Project to be carried out by IDCOL ("Project Implementing Entity") in accordance with the provisions of Article II of the Standard Conditions, and the agreement of the same date as this Agreement between the World Bank and IDCOL, as such agreement may be amended from time to time ("Project Agreement").

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank 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 III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to three million seven hundred sixty five thousand United States Dollars ($3,765,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donor to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donor under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Additional Remedies

4.01. The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consist of the following:

(a) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by IDCOL of its obligations under the Project Agreement.
(b) IDCOL has failed to perform any obligation under the Project Agreement.

(c) IBRD or IDA has declared IDCOL ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that IDCOL has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that IDCOL is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that IDCOL has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the IDCOL will be able to perform its obligations under the Project Agreement.

(e) IDCOL's Memorandum and Articles of Association have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of IDCOL to perform any of its obligations under the Project Agreement.

(f) The World Bank has determined after the Effective Date referred to in Section 5.02 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient's right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.

Article V
Effectiveness; Termination

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the Subsidiary Grant Agreement referred to in Section I.A of Schedule 2 to this Agreement has been executed on behalf of the Recipient and IDCOL.
5.02. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI
Recipient's Representative; Addresses

6.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Senior Secretary or Secretary or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary, or Assistant Chief of the Economic Relations Division of its Ministry of Finance.

6.02. The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

88028113088

6.03. The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America
AGREED at Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By

[Signature]
15/07/2013
Authorized Representative

Name: ARASTOO KHAN

Title: ADDL. SECRETARY, ERD,
MINISTRY OF FINANCE.

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the United States Agency for
International Development Trust Fund for the Rural
Electrification and Renewable Energy Development Project II

By

[Signature]
Authorized Representative

Name: CHRISTINE KIMES

Title: Acting Head of Office
For the Country Director
SCHEDULE 1

Project Description

The objectives of the Project are to increase access to clean energy in rural areas through renewable energy and to promote more efficient energy consumption.

The Project consists of the following parts:

Part A. Access to Electricity

Provision of solar home systems and other renewable energy options for providing access to electricity to households, farmers, and businesses in the rural areas of the Recipient, consisting of:

1. Installation, through Participating Organizations, of solar home systems for use in rural homes and enterprises, including the provision of Sub-grants to eligible Participating Organizations.

2. Remote area power supply systems, consisting of:
   
   (a) Development, through Participating Organizations, of mini-grid schemes and captive plants based on renewable energy, including solar photovoltaic, biomass gasification, biogas and other technologies, through the provision of Sub-grants to eligible Participating Organizations; and

   (b) Installation and operation, through Participating Organizations, of solar irrigation pumps, through the provision of Sub-grants to eligible Participating Organizations.

3. Provision of technical assistance and Incremental Operating Costs to IDCOL selected for financing from the Grant to assist in the implementation of Parts A.1 and A.2 of the Project.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Subsidiary Grant Agreement

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Grant available to IDCOL, under a Subsidiary Grant Agreement between the Recipient and IDCOL, under terms and conditions approved by the World Bank, which shall include the obligation of the Recipient to on-grant to IDCOL, out of the proceeds of the Grant.

2. The Recipient shall exercise its rights under the Subsidiary Grant Agreement referred to above in such manner as to protect the interest of the Recipient and the World Bank and to accomplish the purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the subsidiary agreement or any provisions thereof.

B. Sub-Grants

1. The Recipient shall ensure that, except as the World Bank shall otherwise agree, Sub-grants 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, the Environmental and Social Management Framework, and the GAAP.

2. Participating Organizations applying for any Sub-grants provided under Parts A.1 and A.2 of the Project shall meet relevant eligibility criteria set out in the Operating Guidelines.

C. Anti-Corruption

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

D. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable
the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate, and cause IDCOL to monitor and evaluate, the progress of the Project, and prepare, and cause IDCOL to prepare, Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall:

(a) prepare, under terms of reference satisfactory to the World Bank, and furnish to the World Bank, on or about March 31, 2015, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (1) above, 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;

(b) review with the World Bank, by May 31, 2015, or such later date as the World Bank shall request, the report referred to under sub-paragraph (a) above, 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 recommendation of the said report and the World Bank’s views on the matter; and

(c) prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

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 2.07 of the Standard Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish, and cause IDCOL to prepare and furnish, to the World Bank
not later than forty-five (45) days after the end of each calendar quarter, an interim unaudited financial reports of the Project covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements and cause IDCOL to have its Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient or IDCOL, as the case may be. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Goods, Works and Non-consulting Services. All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section 1 of the Procurement Guidelines, and with the provisions of this Section.

2. Consultants' Services. All consultants' services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in Section I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding methods described in Section II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

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

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

2. Other Methods of Procurement of Goods, Works and Non-consulting Services

   (a) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:
(i) National Competitive Bidding, following the procedures of the Procurement Laws subject to paragraph (b) below;

(ii) Shopping, following the request for quotation method of the Procurement Laws; and

(iii) Direct Contracting.

(b) The following provisions apply to the contracting of goods, works and non-consulting services under National Competitive Bidding, using bidding documents acceptable to the World Bank:

(i) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;

(ii) bids should be submitted and opened in public in one (1) location immediately after the deadline for submission;

(iii) rebidding shall not be carried out, except with the World Bank’s prior agreement’

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

(v) bidders’ qualification/experience requirement shall be mandatory;

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

(vii) 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants’ services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set
forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedure for the Selection of Individual Consultants.

D. **Review of the World Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Section IV. Withdrawal of Grant Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Sub-grants under Part A.1 of the Project</td>
<td>2,400,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Sub-grants under Part A.2 of the Project</td>
<td>1,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, Consultants’ Services, Training and Incremental Operating Costs under Part A of the Project</td>
<td>265,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,765,000</td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

   (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $750,000 equivalent may be made for payments made prior to this date but on or after January 1, 2013 for Eligible Expenditures; or

   (b) for any payment for Taxes levied by or in the territory of the Recipient in respect of goods, or works or services; or

   (c) for expenditures which have been financed or planned to be financed by the Credit or any source of financing other than the Grant.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2016.
APPENDIX
Definitions


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


4. “Environmental and Social Management Framework” and the acronym “ESMF” mean the Environmental and Social Management Framework dated June 29, 2012 for the Project, which describes the measures proposed to be taken in order to address the adverse environmental and social impacts of investments under the Project.

5. “GAAP” means the Recipient’s Governance and Accountability Action Plan, dated August 12, 2012, acceptable to the World Bank, which identifies key governance issues under the Project and sets forth mitigating actions to address said issues, as said plan may be modified from time to time with the prior written agreement of the World Bank.

6. “IDCOL Subsidiary Grant Agreement” means the agreement referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement pursuant to which the Recipient shall on-grant the proceeds of the Grant to IDCOL.

7. “Incremental Operating Costs” means the reasonable costs incurred on account of the implementation of the Project for honoraria, travel and travel allowances, rental of communication equipment and vehicles, operation and maintenance of vehicles and office equipment, office supplies and consumables, bank charges, and salaries of contracted Project staff but excluding salaries of the Recipient’s civil servants.

8. “Infrastructure Development Company Limited” and the acronym “IDCOL” mean the government-owned infrastructure finance company established and existing under the Bangladesh Companies Act (1994).
9. "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.

10. "Operating Guidelines" means the operating guidelines of IDCOL, approved by the World Bank, which sets out the eligibility criteria for Sub-grants (as hereinafter defined), guidelines for appraisal, approval and supervision of sub-grants, and the terms and conditions applicable to Sub-grants.

11. "Participating Organization" means a micro-finance institution, non-governmental organization or private enterprises which participates in carrying out activities under Parts A.1 and A.2 of the Project and which has entered into a Participation Agreement (as this term is hereinafter defined) with IDCOL.

12. "Participation Agreement" means the agreement to be entered into between IDCOL and a Participating Organization, pursuant to Section I.C of the Schedule to the IDCOL Project Agreement, for the purpose of promoting and carrying out renewable energy projects in the territory of the Recipient.


14. "Procurement Laws" means, 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.

15. "Procurement Plan" means the Recipient’s procurement plan for the Project and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

16. "Project Agreement" means the agreement between the World Bank and IDCOL referred to in Section 2.01 of this Agreement relating to the implementation of the Project described in Schedule 1 to this Agreement, as such agreement may be amended from time to time.

17. "Sub-grant" means a grant made, or proposed to be made, by IDCOL under the Project, out of the proceeds of the Grant, to a Participating Organization to carry out a Sub-grant (as this term is hereinafter defined).
18. "Sub-project" means a rural electrification and/or renewable energy project, activity or service financed, or proposed to be financed, by the proceeds of the Sub-grant, which meets the eligibility criteria set forth in the Operating Guidelines.

19. "Training" means expenditures (other than those for consultants' services) to finance the reasonable cost of the services of trainers, meeting rooms, publications, travel costs, per diem allowances for trainees, workshops, seminars and study tours as agreed with the World Bank.