Agreement Amending Development Credit Agreement

(Second Poverty Alleviation Microfinance Project)

between

PEOPLE’S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 21, 2007
AGREEMENT AMENDING DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 21, 2007, between PEOPLE’S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower and the Association have entered into a Development Credit Agreement (Second Poverty Alleviation Microfinance Project), dated January 30, 2001 (the Development Credit Agreement), for the purpose of providing support during the execution of the Second Poverty Alleviation Microfinance Project, as described in the Recital of the Development Credit Agreement (the Project);

(B) the Borrower has requested the Association to provide further additional assistance in support of the Project by increasing the amount made available under the Development Credit Agreement by an amount in various currencies equivalent to ten million Special Drawing Rights (SDR 10,000,000); and

WHEREAS (C) the Association has agreed, on the basis, inter alia, of the foregoing, to provide such additional assistance to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Amendments to the Development Credit Agreement

Section 1.01. Section 1.02 of the Development Credit Agreement is amended by deleting the “and” at the end of Subsection (dd), substituting “; and” for “;” at the end of Subsection (dd), substituting “.” at the end of subsection (ee) for “; and” and adding a new Subsection (ff) as follows:

“(ff) “Amending Agreement” means the agreement amending the Development Credit Agreement between the Borrower and the Association, dated January 30, 2001.”

Section 1.02. Section 2.01 of the Development Credit Agreement is amended to read as follows:
“Section 2.01. The Association agrees to make available to the Borrower, on the terms and conditions set forth or referred to in this Agreement:

(a) an amount in various currencies equivalent to one hundred twenty-eight million three hundred thousand Special Drawing Rights (SDR 128,300,000) (the Credit), which includes: (a) an original amount in various currencies equivalent to one hundred eighteen million, three hundred thousand Special Drawing Rights (SDR118,300,000) (the Initial Credit); and (b) an additional amount in various currencies equivalent to ten million Special Drawing Rights (SDR 10,000,000) (the Additional Credit).”

Section 1.03. The Closing Date in Section 2.03 of the Development Credit Agreement is amended to read “June 30, 2009.”.

Section 1.04. A proviso is added at the end of Section 2.04(b)(i) of the Development Credit Agreement reading as follows:

“; provided however that the commitment charge on the Additional Credit shall accrue from a date sixty (60) days after the date of the Amending Agreement.”

Section 1.05. Section 2.07(a) of the Development Credit Agreement is amended to read as follows:

“Section 2.07. (a) For the purpose of: (A) the Credit included in the Initial Credit, subject to paragraphs (b) (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 2011 and ending January 15, 2041. Each installment to and including the installment payable on January 15, 2021 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount; and (B) the Additional Credit, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15, commencing July 15, 2017 and ending January 15, 2047. Each installment to and including the installment payable on January 15, 2027, shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.”

Section 1.06. Section 3.01(b) of the Development Credit Agreement is amended to read as follows:

“(b) The Borrower shall: (i) relend part of the proceeds of the Credit to PKSF for purposes of providing Sub-loans to POs under Parts A, B, C and D of the Project; and (ii) provide part of the proceeds of the Credit as a grant to PKSF for purposes of Parts B, and E of the Project, all in accordance with the provisions of a Subsidiary Loan and Grant Agreement to be entered into between the Borrower and PKSF, containing the procedures, terms, conditions and implementation arrangements, approved by the
Association which shall, except as the Association shall otherwise agree, include (A) that interest shall be payable on the principal amount of the Subsidiary Loan withdrawn and outstanding from time to time at a simple interest rate of 1% per annum, the amortization period shall be 20 years with a grace period of 5 years for each disbursement from the proceeds of the Credit onlent to PKSF as a Subsidiary Loan, prepayment shall be permitted at any time without penalty, and the foreign exchange risk shall be borne by the Borrower; and (B) those set forth in Schedule 2 of the Project Agreement.’’

Section 1.07. Paragraph 1 and the Table in Schedule 1 to the Development Credit Agreement is hereby revised as indicated in the Annex 1 to this Amending Agreement.

Section 1.08. A new sub-paragraph (c) is added at paragraph 2 in Schedule 1 to the Development Credit Agreement to read as follows:

“(c) the term "incremental staff and operating costs" means the costs of salaries and allowances of incremental staff engaged on a full-time basis for purposes of implementation of the Project, the operating costs of equipment and vehicles procured under the Project, bank charges, advertising expenses, and the costs of operating and maintaining office buildings used or acquired for purposes of the Project, including the provision of utilities and supplies.

Section 1.09. All other provisions of the Development Credit Agreement, including Schedule 2 shall remain in full force and effect.

ARTICLE II

Effective Date; Termination

Section 2.01. This Amending Agreement shall not become effective until evidence satisfactory to the Association shall have been furnished to the Association that the execution and delivery of this Amending Agreement on behalf of the Borrower have been duly authorized or ratified by all necessary governmental action.

Section 2.02. As part of the evidence to be furnished pursuant to Section 2.01 of this Amending Agreement, there shall be furnished to the Association an opinion or opinions satisfactory to the Association of counsel acceptable to the Association showing, on behalf of the Borrower, that this Amending Agreement has been duly authorized or ratified by, and executed and delivered on behalf of, the Borrower and is legally binding upon the Borrower in accordance with its terms.

Section 2.03. This Amending Agreement shall come into force and effect on the date upon which the Association shall dispatch to the Borrower notice of its acceptance of the evidence required by Section 2.01 of this Amending Agreement.
Section 2.04. If this Amending Agreement shall not have come into force and effect by a date ninety (90) days after the date of this Amending Agreement, this Amending Agreement and all obligations of the parties hereunder shall terminate, unless the Association establishes a later date for the purposes of this Section. If this Amending Agreement shall terminate under the provisions of this Section, the Development Credit Agreement shall continue in full force and effect, as if this Amending Agreement had not been executed.

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

PEOPLE’S REPUBLIC OF BANGLADESH

By /s/ Md. Aminul Islam Bhuiyan
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Xian Zhu
Country Director
Bangladesh
ANNEX 1

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

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

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Initial Credit Allocated (Expressed in SDR Equivalent)</th>
<th>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</th>
<th>% of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Micro-Credit</td>
<td>116,950,000</td>
<td>7,220,000</td>
<td>90%</td>
</tr>
<tr>
<td>(2) Goods</td>
<td>600,000</td>
<td>120,000</td>
<td>100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 70% of local expenditures for other items procured locally</td>
</tr>
<tr>
<td>(3) Consultants’ services, including Training and Study Tours</td>
<td>750,000</td>
<td>2,150,000</td>
<td>100%</td>
</tr>
<tr>
<td>(4) Unallocated</td>
<td>----</td>
<td>-----</td>
<td></td>
</tr>
<tr>
<td>(5) Incremental Staff Salaries and Operating Costs</td>
<td>----</td>
<td>510,000</td>
<td>65% in Fiscal Year 08 and 50% in Fiscal Year 09</td>
</tr>
<tr>
<td>TOTAL</td>
<td>118,300,000</td>
<td>10,000,000</td>
<td></td>
</tr>
</tbody>
</table>