Financing Agreement

(Additional Financing for Rural Electrification and Renewable Energy Development Project)

between

PEOPLE’S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 2, 2009
FINANCING AGREEMENT

AGREEMENT dated September 2, 2009, 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 this 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 eighty-three million eight hundred thousand Special Drawing Rights (SDR 83,800,000) (variously, “Credit” and “Financing”) 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 1 and December 1 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the 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 cause Parts 1 and 2 of the Project to be carried out by the REB and Part 3 of the Project to be carried out by the IDCOL, all in accordance with the provisions of Article IV of the General Conditions and the Additional REB Project Agreement and the Additional IDCOL Project Agreement respectively.

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 — EFFECTIVENESS; TERMINATION

4.01. The Additional Conditions of Effectiveness consist of the following:

(a) The REB Subsidiary Loan Agreement has been executed on behalf of the Recipient and REB.

(b) The IDCOL Subsidiary Loan Agreement has been executed on behalf of the Recipient and IDCOL.

4.02. The Additional Legal Matters consist of the following:

(a) The REB Subsidiary Loan Agreement has been duly authorized or ratified by the Recipient and REB and is legally binding upon the Recipient and REB in accordance with its terms.

(b) The IDCOL Subsidiary Loan Agreement has been duly authorized or ratified by the Recipient and IDCOL and is legally binding upon the Recipient and IDCOL in accordance with its terms.

4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.
ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is 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 Recipient’s Ministry of Finance.

5.02. The Recipient’s Address is:

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

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

5.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391
Washington, D.C.
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 Hossain Bhuiyan
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

/s/ Tahseen Sayed
Authorized Representative
SCHEDULE 1

Project Description

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 Association may agree upon from time to time to achieve such objectives:


Part 2: Part B of the Original Project, expanded to include the acquisition and installation of energy efficient Compact Fluorescent Lamps (CFLs) to replace a number of incandescent bulbs in large load centers.

Part 3: Part C of the Original Project.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. The provisions of Schedule 4 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

B. Subsidiary Agreements

1. To facilitate the carrying out of the Part 1 of the Project, the Recipient shall make part of the proceeds of the Financing available to REB under a subsidiary agreement between the Recipient and REB under terms and conditions approved by the Association, which shall include the following: (i) a repayment period of twenty-five (25) years after an eight (8) year grace period; (ii) an interest rate of three-fourths of one percent (3/4 of 1%) per annum during the grace period, capitalized; (iii) an interest rate of two percent (2%) per annum thereafter; and (iv) the foreign exchange risk to be borne by the Recipient (“REB Subsidiary Loan Agreement”).

2. To facilitate the carrying out of the Part 2 of the Project, the Recipient shall make part of the proceeds of the Financing available to REB under a subsidiary grant agreement between the Recipient and REB, in the form of a non-reimbursable grant (“REB Subsidiary Grant Agreement”).

3. To facilitate the carrying out of the Part 3 of the Project, the Recipient shall make part of the proceeds of the Financing available to IDCOL under a subsidiary agreement between the Recipient and IDCOL, under terms and conditions approved by the Association, which shall include: (i) an interest rate of (3%); (ii) a repayment period of twenty (20) years including a five (5) years grace period; and (iii) the foreign exchange risk to be borne by the Recipient (“IDCOL Subsidiary Loan Agreement”).

4. The Recipient shall exercise its rights under the REB Subsidiary Loan Agreement, the REB Subsidiary Grant Agreement, and the IDCOL Subsidiary Loan Agreement, in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the REB Subsidiary Loan Agreement, the REB Subsidiary Grant Agreement and the IDCOL Subsidiary Loan Agreement or any of their provisions.
C. 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 and Evaluation

A. Project Reports

1. The Recipient shall, through the REB and the IDCOL, 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 one calendar semester, 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, 2013.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall cause the REB and the IDCOL to maintain a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the REB and the IDCOL to 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 unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall cause the REB and the IDCOL to have their 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 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 Work. 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 Section.

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 Section.

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 paragraphs 2 and 3 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **National Competitive Bidding.** Except as otherwise agreed by the Association, goods and work, estimated to cost less than 300,000 Dollars, may be procured under contracts awarded on the basis of National Competitive Bidding.

3. **Other Method.** Except otherwise agreed by the Association, procurement under Part 3 of the Project shall be carried out in accordance with paragraph 3.12 of the Procurement Guidelines.

**C. Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraphs 2 and 3 below, consultants’ services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

2. **Individual Consultants.** Except as otherwise agreed by the Association, services estimated to cost more than 50,000 Dollars may be procured in accordance with procedures set forth in paragraphs 5.1 through 5.4 of the Consultant Guidelines for the Selection of Individual Consultants.

3. **Other Method.** Except as otherwise agreed by the Association, services under Part 3 may be procured in accordance with paragraph 3.14 of the Consultant Guidelines.
D. Review by the Association 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) each contract for goods or works estimated to cost the equivalent of $300,000 or more, procured on the basis of International Competitive Bidding; (b) each contract for consultants’ services provided by a firm estimated to cost the equivalent of $100,000 or more; and (c) each contract for consultants’ services provided by an individual estimated to cost the equivalent of $50,000 or more. 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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 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
--- | --- | ---
(1) Works | 980,000 | 100% (exclusive of Taxes)
(2) Goods | 7,740,000 | 100% (exclusive of Taxes)
   (a) For Part 1 | 7,740,000 | 100% (exclusive of Taxes)
   (b) For Part 3 | 130,000 | 100% (inclusive of Taxes)
(3) Services | 980,000 | 100% (exclusive of Taxes)
   (a) For Part 1 | 980,000 | 100% (exclusive of Taxes)
   (b) For Part 3 | 1,290,000 | 100% (inclusive of Taxes)
(4) Goods, Services, and Incremental Operating Costs (For CFL under Part 2) | 9,670,000 | 100% (inclusive of Taxes)
(5) Subloans (For Part 3) | 63,010,000 | 100% (inclusive of Taxes)
**TOTAL AMOUNT** | **83,800,000** | **100% (inclusive of Taxes)**

### 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 $10,000,000 equivalent may be made for payments made prior to this date but on or after January 1, 2009, for Eligible Expenditures under Categories 1, 2(a), and 3(a); and
   
   (b) for payments made under Category 4, unless the REB Subsidiary Grant Agreement has been signed, has been duly authorized or ratified by the Recipient and REB, and is legally binding upon the Recipient and REB in accordance with its terms.

2. The Closing Date is December 31, 2012.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each June 1 and December 1:</td>
<td></td>
</tr>
<tr>
<td>commencing December 1, 2019, to and including June 1, 2029</td>
<td>1%</td>
</tr>
<tr>
<td>commencing December 1, 2029, to and including June 1, 2049</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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.
APPENDIX

Section I. Definitions

All definitions contained in the Original Financing Agreement in Article I, Section 1.02 are incorporated by reference in this Additional Financing Agreement, and shall apply mutatis mutandis to this Additional Financing Agreement and the Additional REB Project Agreement and the Additional IDCOL Project Agreement.

Section II. Definitions

1. “Additional REB Project Agreement” means the Project Agreement between the Association and the REB, of even date herewith, for the carrying out Part 1 and 2 of the Project financed by this Additional Financing.

2. “Additional IDCOL Project Agreement” means the Project Agreement between the Association and the IDCOL, of even date herewith, for the carrying out Part 3 of the Project financed by this Additional Financing.


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


6. “Environmental and Social Framework” or “ESF” means the Environmental and Social Framework, dated January 19, 2002, and revised in 2009, and detailing the measures proposed to address the adverse environmental and social impact of investments under the Project.

7. “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.

8. “IDCOL” means Infrastructure Development Company Limited, a body corporate established and existing under the Bangladesh Companies Act (1994).
9. “IDCOL Subsidiary Loan Agreement” means the agreement referred to in Section I.B.3 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the IDCOL.

10. “Incremental Operating Costs” means costs incurred by REB on account of incremental staff salaries, office utilities, supplies, fuel, maintenance of vehicles and equipment, bank charges, and advertising, but excluding the salaries of the Recipient’s civil service.

11. “Original Financing Agreement” means the development credit agreement for a Rural Electrification and Renewable Energy Development Project between the Recipient and the Association, dated July 16, 2002, as amended to the date of this Agreement (Credit No 3679-BD).

12. “Original Project” means the Project described in the Original Financing Agreement.

13. “Original IDCOL Project Agreement” means the Project Agreement dated July 16, 2002, between the Association and the IDCOL, as amended to the date of this Agreement.

14. “Original REB Project Agreement” means the Project Agreement dated July 16, 2002, between the Association and the REB, as amended to the date of this Agreement.


16. “Procurement Plan” means the Recipient’s procurement plan for the Project, 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.

17. “Project Implementing Entity” means IDCOL and REB, as the case may be.


19. “REB Subsidiary Loan Agreement” means the agreement referred to in Section I.B.1 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the REB.
20. “REB Subsidiary Grant Agreement” means the agreement referred to in Section I.B.2 of Schedule 2 to this Agreement pursuant to which the Recipient shall make part of the proceeds of the Financing available to the REB.

Section III. 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:

1. Section 2.07 is modified to read as follows:

   “Section 2.07. Refinancing Preparation Advance

   If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

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

   “Section 6.02. Suspension by the Association

   ... (i) 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.”

3. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The term “Project Preparation Advance” is modified to read “Preparation Advance” and its definition is modified to read as follows:

   “‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.07.”