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CREDIT NUMBER 5664-BD

# Financing Agreement

(Financial Sector Support Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *June 30*, 2015

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**CREDIT NUMBER 5664 BD**

**FINANCING AGREEMENT**

AGREEMENT dated *June 30*, 2015, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). 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 two hundred and thirteen million four hundred thousand Special Drawing Rights (SDR 213,400,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 objective of the Project. To this end, the Recipient shall, through MOF, cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
  - (b) Any PFI or Sub-borrower shall have failed to comply with the terms of their respective Participation Agreement or Sub-loan Agreement and the Project Implementing Entity or the PFI, as the case may be, shall have failed to exercise the suspension remedies as per the terms of the respective Participation Agreement or Sub-loan Agreement after forty five (45) days from the date of the notice of the non-compliance was sent to the Recipient and the Project Implementing Entity by the Association provided however that in such case the Association may suspend only in the amount allocated for financing to such non-compliant PFI or Sub-borrower.

- 4.02. The Additional Events of Acceleration consist of the following:
- (a) Any event specified in paragraph (a) of Section 4.01 of this Agreement occurs.
  - (b) Any event specified in paragraph (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Subsidiary Loan Agreement has been executed on behalf of the Recipient and the Project Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Loan Agreement has been duly authorized or ratified by the Recipient and the Project Implementing Entity and is legally binding upon the Recipient and the Project Implementing Entity in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

#### **ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Senior Secretary/Secretary, or the Additional Secretary, or any Joint Secretary/Joint Chief, Deputy Secretary/Deputy Chief, Senior Assistant Secretary/Senior Assistant Chief, Assistant Secretary/Assistant Chief of the Economic Relations Division of the Ministry of Finance.

6.02. The Recipient's Address is:

Economic Relations Division  
Ministry of Finance  
Sher-e-Bangla Nagar  
Dhaka 1207  
Bangladesh

Facsimile: +88029180788/+88029180671

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVAS  
Washington, D.C.

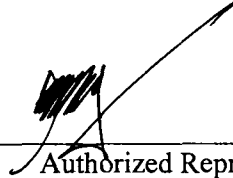
248423 (MCI)

1-202-477-6391

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

PEOPLE'S REPUBLIC OF BANGLADESH

By



Authorized Representative

Name: MOHAMMAD MEJBAHUDDIN

Title: Senior Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: CHRISTINE KIMES

Title: Acting Head of Bangladesh  
Country Office  
For The Country Director

## SCHEDULE 1

### Project Description

The objective of the Project is to improve the Recipient's financial market infrastructure, the regulatory and oversight capacity of the Project Implementing Entity and access to long term financing for private firms in Bangladesh.

The Project consists of the following parts:

#### **Component 1: Strengthening Financial Market Infrastructure**

Strengthening of the Recipient's financial market infrastructure through, *inter alia*:

- (a) the development of an electronic payment and settlement system;
- (b) the expansion and modernization of operational coverage of the Recipient's Credit Information Bureau;
- (c) the strengthening of the systems of the Recipient's Financial Intelligence Unit and integration with systems of other stakeholders;
- (d) the strengthening of the governance and management of information technology by the Project Implementing Entity, optimizing its information technology assets and raising awareness of information technology security aspects for the financial industry; and
- (e) (i) capacity building of staff of the Project Implementing Entity and the Recipient and stakeholders relevant for the implementation of Component 1; and (ii) carrying out of studies selected by the Project Implementing Entity and approved by the Association.

#### **Component 2: Strengthening the Financial Sector Regulator**

Strengthening the Project Implementing Entity's capacity to regulate and supervise Scheduled Financial Institutions and its development capacity, and further develop the financial system with new and innovative products through, *inter alia*:

- (a) (i) the development and implementation of a risk-based approach to supervision, including the related documentation and training, and (ii) strengthening of the prudential regulations and policies including on banking sector and anti-money laundering and countering financial terrorism;

- (b) the development of an improved policy framework for anti-money laundering and countering financial terrorism, and capacity building of the Project Implementing Entity's Financial Intelligence Unit, including certification of officials to undertake anti-money laundering control and related activities;
- (c) the development of the human resources of the Project Implementing Entity including a review of its human resource policy in relation to banking regulation and supervision, and development and implementation of a training program that covers aspects such as induction training, on-going training and career path planning; and
- (d) the development of new and innovative financial products, including the development of a national financial inclusion strategy, and the carrying out of a study on warehouse receipts financing.

**Component 3: Supporting Long Term Finance**

Support for long term financing through, *inter alia*:

- (a) the provision of Sub-loans to PFIs for onlending to Eligible Sub-borrowers; and
- (b) the provision of technical assistance to PFIs and related stakeholders on selected financial sector aspects including inter alia industry associations on aspects such as building long term financing products and markets and safeguards management.

**Component 4. Project Management and Monitoring**

Support for:

- (a) Project management (including the strengthening of the Project implementing Entity's fiduciary and safeguard capacity);
- (b) monitoring and evaluation activities; and
- (c) implementation of the Governance and Accountability Action Plan.



## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

**A. Institutional Arrangements.** The Recipient shall, not later than two (2) months after the Effective Date establish, and thereafter maintain, a Project Steering Committee, with compositions and responsibilities as set forth in the Operational Manual.

#### **B. Subsidiary Loan Agreement**

1. To facilitate the carrying out of Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary loan agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Loan Agreement”).

2. The Recipient shall exercise its rights under the 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 Subsidiary Loan Agreement or any of its provisions.

#### **C. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of:

- (a) the Anti-Corruption Guidelines; and
- (b) the Governance and Accountability Action Plan.

#### **D. Operations Manual**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Operations Manual and shall ensure that the Operations Manual is not materially revised, amended, waived, or abrogated without the prior consent of the Association. In the event of any conflict between the provisions of the Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail.

**E. Safeguards**

1. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the provisions of the Environmental and Social Management Framework, any relevant EMS Plan, and the Environmental, Health and Safety Guidelines.
2. In the event of any conflict between the provisions of the ESMF or any ESM Plan and the provisions of this Agreement; the provisions of this Agreement shall prevail.

**Section II. Project Monitoring, Reporting and Evaluation**

**A. Project Reports**

The Recipient shall monitor and evaluate, and cause the Project Implementing Entity to monitor and evaluate, the progress of the Project (including the Governance and Accountability Action Plan) and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth in the Operations Manual. Each Project Report shall cover the period of one (1) 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.

**B. Financial Management, Financial Reports and Audits**

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. Without limitation on the provisions of Part A of this Section, the Recipient shall cause the Project Implementing Entity to prepare and furnish to the Association 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 Project Implementing Entity to have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods, Work 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 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 Sections 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.** 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: (a) National Competitive Bidding, following the procedures of the Procurement Laws subject to the additional provisions set forth in paragraph 3 below; (b) Shopping; (c) Direct Contracting; and (d) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association.
3. **National Competitive Bidding Procedures:** The following provisions apply for the contracting of goods, works and non-consulting services under National Competitive Bidding, using bidding documents acceptable to the Association:
  - (a) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;

- (b) bids should be submitted and opened in public in one location immediately after the deadline for submission;
- (c) lottery in the award of contracts shall not be allowed;
- (d) bidders' qualification/experience requirements shall be mandatory;
- (e) 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 a compliant bid from an eligible and qualified bidder; and
- (f) single-stage two-envelope procurement 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) Well-established Private Sector Procurement Methods or Commercial Practices which have been found acceptable to the Association; (g) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (h) Single-source procedures for the Selection of Individual Consultants.

**D. Review by the Association of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. 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 Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consultants' services, Operating Costs, and Training for the Project (other than for Sub-loans)	33,500,000	80%
(2) Sub-loans	179,900,000	86.9% of the amounts disbursed for a Sub-loan
<b>TOTAL AMOUNT</b>	<b>213,400,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 21,330,000 may be made for payments made prior to this date but on or after July 1, 2014, for Eligible Expenditures.
2. The Closing Date is September 30, 2020.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each June 1 and December 1:	
Commencing December 1, 2021 to and including June 1, 2053	1.5625%

\* 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

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
4. “Eligible Sub-borrower” means any enterprise, business or firm established and operating in the Recipient’s territory which has met the criteria set forth in the Operations Manual to receive a Sub-loan and to which Sub-loans are proposed to be made; and “Eligible Sub-borrowers” means, collectively, all such Sub-borrowers.
5. “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework for the Project disclosed at the Project Implementing Entity’s website on March 18, 2015, setting forth the guiding principles, standards and procedures for: (a) screening of all Project activities and the identification of the adverse or positive social and environmental impacts caused, or expected to be caused, on account of their implementation; (b) the application of the negative list of activities excluded from the Project, including any activities involving the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets or loss of income sources or means of livelihood, whether or not an affected persons must move to another location; and (c) the preparation of their prescribed environmental impact assessments and/or environmental management plans, social impact assessments and social management plans as required, as such framework may be revised, updated or supplemented from time to time with the prior written agreement between the Project Implementing Entity and the Association.
6. “ESM Plan” means any environmental and social management plan, prepared in accordance with the provisions of the ESMF and acceptable to the Association.
7. “Environmental, Health and Safety Guidelines” means the Environmental, Health and Safety Guidelines issued by the International Finance Corporation dated April 30, 2007.

8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
9. "Governance and Accountability Action Plan" means the plan set forth in the Operations Manual comprising approaches to strengthen management control over the Project.
10. "MOF" means the Recipient's Ministry of Finance or any successor thereto.
11. "Operating Costs" means incremental costs incurred by the Project Implementing Entity on account of the management and supervision of the Project, including the cost of office utilities, office supplies and stationeries, events, bank charges, advertising costs, and salaries and contractual allowances of contracted staff but excluding the salaries of the Project Implementing Entity's regular staff and the Recipient's salaried staff, honoraria, sitting allowances and cash per diems..
12. "Operations Manual" means the manual dated May 6, 2015, adopted by the Project Implementing Entity in a manner satisfactory to the Association; setting forth the policies, terms, conditions and procedures for Project implementation as such manual may be revised, updated or supplemented from time to time with the prior written agreement of the Association.
13. "Participation Agreement" means any agreement entered into between the Project Implementing Entity and a PFI pursuant to Section I.C(a)(ii) of Schedule 1 to the Project Agreement and on the terms and conditions set forth in Schedule 2 to the Project Agreement; and "Participation Arrangements" means, collectively, all such Participation Arrangements.
14. "PFI" means any bank or non-bank finance company, or any other financial institution duly registered according to the applicable laws and regulations of the Recipient, which has met the criteria set forth in the Operations Manual, has entered into a Participation Agreement with the Project Implementing Entity and to which the Project Implementing Entity proposes to make or has made, out of the proceeds of the Financing, a loan for purposes of on-lending a Sub-loan; and "PFIs" means, collectively, all such PFIs.
15. "Procurement Guidelines" means the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014).
16. "Procurement Laws" means, collectively, the Recipient's Procurement Act 2006 (Act No. 24 of 2006), Public Procurement Rules 2008 (as amended in August 2009) and Public Procurement Act (1<sup>st</sup> Amendment) 2009.



17. "Procurement Plan" means the Project Implementing Entity's procurement plan for the Project, dated May 6, 2015 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.
18. "Project Coordination Unit" means the unit established pursuant to Administrative Order No. HRD-22/2003, dated April 1, 2003 and assigned to the management of the implementation of the Project.
19. "Project Implementing Entity" means the Recipient's Bangladesh Bank.
20. "Project Implementing Entity's Legislation" means the Recipient's Bangladesh Bank Order, 1972, P.O. No. 127 of 1972 establishing the Bangladesh Bank for purposes of carrying out the business of central banking.
21. "Project Steering Committee" means the Committee referred to in Section I.A of Schedule 2 to the Financing Agreement and Section I.A.(b) of Schedule 1 to the Project Agreement, as the same may be modified in agreement with the Association.
22. "Scheduled Financial Institution" means any institution declared as a scheduled bank under article 37 of the Recipient's Bangladesh Bank Order of 1972 or licensed as a financial institution under the Recipient's Financial Institutions (Act No. 27 of 1993).
23. "Sub-loan" means the loan or a Sharia compliant financing made or proposed to be made by a PFI to an Eligible Sub-borrower under a Sub-loan Agreement to finance out of the proceeds of the Financing part of the cost of goods, works and/or services under a Subproject which has been selected and approved in accordance with the provisions Operations Manual; and "Sub-loans" means, collectively, all such Sub-loans.
24. "Sub-loan Agreement" means an agreement entered into between a PFI and an Eligible Sub-borrower pursuant to Section I.C.(b)(iii) of Schedule 1 to the Project Agreement on the terms and conditions set forth in Schedule 3 to this Agreement; and "Sub-loan Agreements" means, collectively, all such Sub-loan Agreements.
25. "Subsidiary Loan Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement pursuant to which the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity.

26. "Training" means the reasonable costs required for the participation of personnel involved in training activities, workshops and study tours under the Project eligible in accordance with the Operations Manual.