

OFFICIAL DOCUMENTS

CREDIT NUMBER 6209 - BD

Financing Agreement

(Sustainable Enterprise Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Date MAY 16, 2018

CREDIT NUMBER 6209 - BD

FINANCING AGREEMENT

AGREEMENT dated MAY 16, 2018 as of the Signature Date 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) apply to and form 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, a credit, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in the amount equivalent to seventy-five million five hundred thousand Special Drawing Rights (SDR75,500,000) (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 III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.05. The Payment Dates are May 1 and November 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 Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following: the PKSf Charter has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project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.
- 4.02. The Additional Event of Acceleration consists of the following: the event specified in 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: the PKSf Subsidiary Loan and Grant Agreement has been executed on behalf of the Recipient and PKSf and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

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 or Assistant Chief of the Economic Relations Division of the Ministry of Finance.
- 6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-E-Bangla Nagar 1207
Dhaka, Bangladesh; and

(b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
88029180671	secretary@erd.gov.bd

- 6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:	Facsimile:	E-mail:
248423 (MCI)	1-202-477-6391	qfan@worldbank.org

AGREED as of the Signature Date.

PEOPLE'S REPUBLIC OF BANGLADESH

By



Authorized Representative

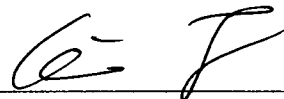
Name: KAZI SHOFIQL AZAM

Title: SECRETARY

Date: MAY 16, 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: QIMIAO FAN

Title: COUNTRY DIRECTOR

Date: MAY 16, 2018

SCHEDULE 1

Project Description

The objective of the Project is to increase the adoption of environmentally sustainable practices by Targeted Microenterprises.

The Project consists of the following parts:

Part 1: Enhancing Services and Enabling Systems

1.1. Support for Enabling Systems

Provision of Grants to Partner Organizations to support the augmentation of eco-labelling and premium market access for Targeted Microenterprises, the implementation of non-revenue generating common services, the carrying out of environmental management standards and practices and assessment of Targeted Microenterprises and the carrying out of implementation activities relating to Sub-loans under Part 2 of the Project.

1.2. Capacity Development of Microenterprises

Provision of Grants to Partner Organizations to provide technical assistance to Targeted Microenterprises to incorporate environmental practices and standards in their businesses, including technical assistance on access to technology for conducting low polluting, greener and cleaner resource efficient businesses and preparing business plans considering economic benefits in climate hazard situations.

1.3. Investment in Revenue Generating Common Services

Provision of Common Service Loans to Partner Organizations to build shared infrastructure to support Targeted Microenterprises in enhancing their business efficiency and reduce environmental degradation while being financially viable, including the construction and/or development of design labs, artificial insemination centers, tissue culture services, micro-storages and organic composting services.

Part 2: Strengthening Access to Finance for Environmentally Friendly and Resilient Microenterprises

2.1. Adoption of Innovative and Environmentally Friendly Technologies and Practices

Provision of Sub-loans to Targeted Microenterprises with negative environmental impacts and proven technical solutions to reduce said impact to move their existing

businesses and/or take up new businesses towards the adoption of environmentally sustainable practices.

2.2. Strengthening of Environmentally Resilient (Green) Microenterprises

Provision of Sub-loans to Targeted Microenterprises with existing environmentally sustainable practices and low polluting technology/processes to strengthen said existing practices, technologies and/or processes and their resilience in areas affected by climate change.

Part 3: Project Management, Communication, Knowledge Management and Monitoring and Evaluation

Provision of technical assistance to carry out Project implementation management activities, build capacity within the Project Implementing Entity, and carry out Project knowledge management, and monitoring and evaluation activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Subsidiary Loan and Grant Agreement

To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity under a subsidiary loan and grant agreement between the Recipient and the Project Implementing Entity ("PKSF Subsidiary Loan and Grant Agreement"), under terms and conditions acceptable to the Association, by which the Recipient agreed to extend to PKSF: (a) a loan in the amount equivalent to fifty one million five hundred Special Drawing Rights (SDR51,500,000); and (b) a grant in the amount equivalent to twenty-four million Special Drawing Rights (SDR24,000,000). The Recipient shall exercise its rights under the PKSF Subsidiary Loan and Grant Agreement in such manner as to protect the interests of the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive the PKSF Subsidiary Loan and Grant Agreement or any of its provisions. In the event of any conflict between the provisions of the PKSF Subsidiary Loan and Grant Agreement and the provisions of this Agreement, the provisions of this Agreement shall prevail.

B. Environmental and Social Safeguards

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the EMF, SMF, TPF and all Safeguard Assessments and Plans and the requirements of the Grievance Redress Mechanism. In the event of any conflict between the provisions the EMF, SMF, TPF or any Safeguard Assessments and Plans, and the provisions of this Agreement or the Project Agreement, the provisions of this Agreement or the Project Agreement shall prevail, in that order of priority.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall cause the Project Implementing Entity to furnish to the Association each Project Report, covering the calendar quarter, not later than sixty (60) days after the end of each calendar quarter.

Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to finance Eligible Expenditures in the amount allocated and up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Grants under Parts 1.1 and 1.2 of the Project, and Common Service Loans under Part 1.3 of the Project	16,450,000	100% of amount disbursed
(2) Sub-loans under Part 2 of the Project	51,500,000	100% of amount disbursed
(3) Goods (excluding vehicles), works, non-consulting services, consulting services, Training and Incremental Operating Costs under Part 3 of the Project	7,550,000	100%
TOTAL AMOUNT	75,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed:
 - (a) SDR3,440,000 may be made for payments prior to this date but on or after April 1, 2018, for Eligible Expenditures under Category (1);
 - (b) SDR10,290,000 may be made for payments prior to this date but on or after April 1, 2018, for Eligible Expenditures under Category (2); and/or

- (c) SDR1,370,000 may be made for payments made prior this date but on or after August 1, 2017, for Eligible Expenditures under Category (3).

- 2. The Closing Date is June 30, 2023.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage) *
On each May 1 and November 1, commencing May 1, 2024 to and including November 1, 2055	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 3.05 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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 and as of July 1, 2016.
2. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
3. “Common Service Loan” means a loan to be made or proposed to be made by PKSf out of the proceeds of the Financing to a PO for purposes of financing a Sub-project under Part 1.3 of the Project; and “Common Service Loans” means, collectively, all such Common Service Loans.
4. “Common Service Loan Agreement” means an agreement to be entered between PKSf and a PO for purposes of providing a Common Service Loan.
5. “Environmental Impact Assessment” or “EIA” means each of the environmental impact assessments to be prepared under the Project in accordance with the EMF, each such assessment in form and substance satisfactory to the Association, and defining details of potential environmental risks and adverse impacts associated with the implementation of Project activities, together with an environmental management plan defining measures to manage such risks and impacts; as each assessment may be amended from time to time with prior written consent of the Association.
6. “Environmental Management Framework” or “EMF” means PKSf’s environmental management framework duly disclosed on January 4, 2018, acceptable to the Association, setting forth the policy framework, principles, standards, processes and institutional arrangements to be applied to assess potential adverse environmental impacts associated with the Project, and the ways to avoid, minimize, mitigate or offset them, including public consultation, disclosure and reporting; as such framework may be amended from time to time with prior written consent of the Association.
7. “Environmental Management Plan” or “EMP” means each of the environmental management plans to be prepared under the Project in accordance with the EMF, each such plan in form and substance satisfactory to the Association, and defining details of measures to manage potential environmental risks and mitigate, reduce and/or offset adverse environmental impacts associated with the implementation of Project activities, together with adequate budget, institutional, monitoring and

reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; as each plan may be amended from time to time with prior written consent of the Association; and “EMPs” means, collectively, all such plans.

8. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017.
9. “Grant” means a grant to be made or proposed to be made by PKSf out of the proceeds of the Financing to a PO for purposes of financing a Sub-project under Parts 1.1 and 1.2 of the Project; and “Grants” means, collectively, all such grants.
10. “Grievance Redress Mechanism” means the system to be established and implemented by PKSf under the Project, which shall meet the requirements set forth in the SMF and be acceptable to the Association, be designed to track complaints regarding the Project, guide resolution of such complaints, and track and publicize resolution of such complaints, as such system may be updated from time to time by prior written agreement between the Recipient and the Association.
11. “Incremental Operating Costs” means the reasonable incremental costs required for the day-to-day coordination, administration and supervision of Project activities, including Project contract staff salaries, leasing, repair and/or maintenance of equipment, facilities and office premises; vehicle rent; office supplies and utilities; consumables; communication expenses; translation, printing, photocopying and postal expenses; bank charges; advertising expenses; insurance costs associated to clearance, forwarding, inspection and transportation of goods; and Project-related meeting expenses and/or Project-related travel expenses provided that said expenses are paid to the eligible recipient through banking system (except for petty cash expenses following the Recipient’s applicable existing policy on petty cash expenses); but excluding fuel, salaries (other than those set forth above), per diem, sitting allowances, honorarium and/or allowances of any nature.
12. “Operational Manual” or “OM” means the operational manual referred to in Section I.B to the Schedule to the Project Agreement, containing detailed arrangements and procedures for the carrying out the Project, including, *inter alia*, (a) the criteria to select POs and Targeted Microenterprises; (b) the procedures to select and appraise Sub-projects; and (c) the model form of a Sub-project Grant Agreement, Common Service Loan Agreement and Sub-loan Agreement; as such manual may be revised from time to time with the written consent of the Association.

13. "Participation Loan Agreement" means an agreement between the PKSf and a PO pursuant to which PKSf shall extend funds to the PO for purposes of providing a Sub-loan to a Targeted Microenterprise.
14. "Partner Organization" or "PO" means any partner organization which has met the criteria set forth in the OM, which (a) has received a Grant and/or a Common Service Loan; and/or (b) is expected to provide a Sub-loan.
15. "PKSf Charter" means PKSf's by-laws duly registered under the Companies Act of 1913/1994 with the Registrar of Joint Stock Companies.
16. "PKSf Subsidiary Agreement" means the agreements referred to in Section I.A of Schedule 2 to this Agreement.
17. "Procurement Regulations" means, for purposes of paragraph 87 of the Appendix to the General Conditions, the "World Bank Procurement Regulations for IPF Borrowers", dated July 2016, revised November 2017.
18. "Project Agreement" means the agreement between the Association and the Project Implementing Entity relating to the implementation of the Project.
19. "Project Implementing Entity" means the Palli Karma-Sahayak Foundation (or PKSf), a not-for-profit entity registered under the Companies Act 1913/1994.
20. "Safeguard Assessment and Plan" means each EIA, SIA, EMP, SMP and/or TPP prepared or to be prepared by PKSf and/or POs, as the case maybe, in accordance with the EMF, SMF and/or TPF; and "Safeguard Assessments and Plans" means, collectively, all such assessments and plans.
21. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
22. "Social Impact Assessment" and "SIA" means each social impact assessment to be prepared under the Project in accordance with the SMF, each such assessment in form and substance satisfactory to the Association, and defining details of potential social risks and adverse impacts associated with the implementation of Project activities, together with measures to manage such risks and impacts; as each assessment may be amended from time to time with prior written consent of the Association.
23. "Social Management Framework" or "SMF" means PKSf's social management framework duly disclosed on January 8, 2018, acceptable to the Association, which includes a resettlement framework and the Grievance Redress Mechanism, together setting forth social impact assessment and mitigation procedures and arrangements and grievance redress procedures, including guidelines and

procedures for assessing and addressing any Project impacts on women and other vulnerable groups, resettlement procedures, institutional arrangements, eligibility criteria, entitlements and compensation, including valuation procedures, budget, public consultation and participation, monitoring and evaluation and disclosure; such framework may be amended from time to time with prior written consent of the Association.

24. "Social Management Plan" or "SMP" means each of the social management plans to be prepared under the Project in accordance with the SMF, each such plan in form and substance satisfactory to the Association, and defining details of measures to manage potential social risks and mitigate, reduce and/or offset adverse social impacts associated with the implementation of the Project, together with adequate budget, institutional, monitoring and reporting arrangements capable of ensuring proper implementation of, and regular feedback on compliance with, its terms; as each plan may be amended from time to time with prior written consent of the Association; and "SMPs" means, collectively, all such plans.
25. "Sub-loan" means a loan to be made or proposed to be made by a PO out of the proceeds of the Financing to a Targeted Microenterprise for purposes of financing a Sub-project under Part 2 of the Project; and "Sub-loans" means, collectively, all such loans.
26. "Sub-loan Agreement" means an agreement to be entered between a PO and Targeted Microenterprise for purposes of providing a Sub-loan.
27. "Sub-project" means a set of goods, works and services (including Training and Incremental Operating Costs) which have met the criteria set out in the OM, EMF, SMF and TPF and have been procured in accordance with the terms of this Agreement, including the Procurement Regulations, and to be financed under Parts 1 and 2 of the Project; and "Sub-projects" means, collectively, all such Sub-projects.
28. "Sub-project Grant Agreement" means an agreement to be entered between PKSF and a PO for purposes of providing a Grant.
29. "Targeted Microenterprise" means an entrepreneur or microenterprise from the agriculture and manufacturing sectors with a legal recognition/registration as such from the Recipient, who is proposed to be receiving support from a PO and/or receive a Sub-loan after meeting the selection criteria set forth in the OM; and "Targeted Microenterprises" means, collectively, all such Targeted Microenterprises.
30. "Training Costs" means the reasonable costs required for the participation of staff in training activities, conferences, seminars and workshops under the Project, which have been approved by the Association in writing on an annual basis,

including: (a) travel, hotel, and subsistence costs associated to training, conferences, seminars and workshops provided that such costs are paid directly to the eligible recipient using the banking system; and (b) costs associated with rental of training, conference, seminar and workshop facilities; preparation and reproduction of training, conference, seminar and workshop materials; costs of academic degree studies; and other costs directly related to preparation and implementation of any training course or workshop; but excluding sitting allowances and honorarium of any nature.

31. "Tribal Peoples" means, for purposes of the Project and in a generic sense, distinct, disadvantaged, social and cultural groups (including tribes, minor races, ethnic sects and communities) possessing the following characteristics in varying degrees: (a) self-identification as members of a distinct indigenous cultural group and recognition of this identity by others; (b) collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories; (c) customary cultural, economic, social, or political institutions that are separate from those of the dominant society; and (d) an indigenous language, often different from the official language of the country or region.
32. "Tribal Peoples Framework" and "TPF" means PKSf's framework duly disclosed on January 4, 2018, acceptable to the Association, which sets the policies and procedures to ensure that Tribal Peoples affected by the Project receive culturally appropriate social and economic benefits, and if any potential adverse effects on such communities are identified, measures to ensure their effects are avoided, minimized, mitigated, or compensated, as well as the preparation of each TPP during the implementation of the Project, as said framework may be revised from time to time with the prior written consent of the Association.
33. "Tribal Peoples Plan" and "TPP" means each plan acceptable to the Association and to be prepared on the basis of the TPF, detailing the specific actions, measures and policies designed to address any impact on Tribal Peoples and facilitate the achievement of the objectives of the TPF; as said plan may be revised from time to time with the prior written approval of the Association.