

Public Disclosure Authorized

OFFICIAL DOCUMENTS

CREDIT NUMBER 6177-BD

Financing Agreement

(Enhancement and Strengthening of Power Transmission Network
in Eastern Region Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

April 10, 2018

CREDIT NUMBER 6177-BD

FINANCING AGREEMENT

AGREEMENT dated 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 — CREDIT

- 2.01. The Association agrees to extend to the Recipient a credit, deemed by the Association to be on non-concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to three hundred and seventy six million Euro, (€376,000,000), ("Credit" or "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 Credit in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee is one quarter of one percent ($\frac{1}{4}$ of 1%) of the Credit amount.
- 2.04. The Commitment Charge is one-quarter of one percent ($\frac{1}{4}$ of 1%) per annum on the Unwithdrawn Credit Balance.
- 2.05. The Interest Charge is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.
- 2.06. The Payment Dates are January 15 and July 15 in each year.

- 2.07. The principal amount of the Credit shall be repaid in accordance with Schedule 3 to this Agreement.
- 2.08. The payment currency is Euro.

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 consist of the following:
 - (a) PGCB's By-Laws have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of PGCB to perform any of its obligations under the Project Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:
 - (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following:
 - (a) The Subsidiary Loan Agreement has been executed on behalf of the Recipient and PGCB 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 Additional Legal Matter consist of the following:
 - (a) The Subsidiary Loan Agreement has been duly authorized or ratified by the Recipient and PGCB and is legally binding upon the Recipient and PGCB in accordance with its terms.

- 5.03. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.04. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is the Senior Secretary/Secretary, or any Additional Secretary, or 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 Recipient's 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
Sher-e-Bangla Nagar
Dhaka 1207
Bangladesh; and

- (b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
+88029180788/+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:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

PEOPLE'S REPUBLIC OF BANGLADESH

By



Authorized Representative

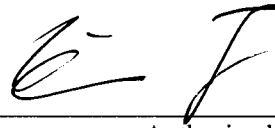
Name: Mahmuda Begum

Title: Additional Secretary

Date: 10/04/2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Qimiao Fan

Title: Country Director

Date: 10/04/2018

SCHEDULE 1

Project Description

The objective of the Project is to increase the transmission capacity and reliability of the electricity network in the eastern region and strengthen the institutional capacity of Power Grid Company of Bangladesh Limited (PGCB).

The Project consists of the following parts:

Part 1: Enhancement and Strengthening of Power Network

- 1.(a) Establishment of thirteen (13) new substations which includes one (1) new 400/132kv substation, two (2) new 230/132kV substations, nine (9) new 132/33kV substations, and the upgrading of an existing selected substation to 400/230/33kV from 230/33kV substations in the identified Project Sites.
- 1.(b) Building of high and medium capacity electrical transmission lines to *inter alia* connect the new 400/230kV, 230/132kV and 132/33kV substations to the selected existing substations in the identified Project Sites.
- 1.(c) Replacement and renovation of the existing 132/33kV sub-station including augmentation of transmission capacity and upgrading of electrical power substation and electrical transmission lines in the identified Project Sites.

Part 2: Institutional Development and Implementation Support

- 2.(a) **Definition and implementation of a new corporate maintenance strategy**
 - i. Formulation of a roadmap for corporate maintenance strategy: Provision of technical assistance to PGCB for the development and formulation of a new corporate maintenance strategy.
 - ii. Computerized maintenance management system: Provision of support to PGCB for the procurement of necessary software and equipment for the development of a computerized management system, including the development of an on-line equipment data base and laser technology for the health assessment of aged grid lines.
 - iii. Live-line maintenance: Provision of tools and personal protection equipment, support and training to staff of PGCB to enable the carrying out of the maintenance without disconnecting the asset/systems from the power grid.

2.(b) **Technical Assistance for PGCB's Institutional Development**

- i. Support for project supervision and bid evaluation: Provision of technical assistance to *inter alia* support the PMU for: design and preparation of bid document for 400kV substations; the review of designs of other components; procurement, contract management, field supervision (including for review of bid evaluation process) and reporting with respect to the contractors.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall cause the Project Implementing Entity to maintain until the completion of the Project, a project management unit (PMU) headed by an appropriately qualified project director, and comprised of competent staff including, *inter alia*, one (1) procurement specialist, one (1) financial management specialist, and one (1) monitoring and evaluation specialist.
2. The Recipient shall cause the Project Implementing Entity maintain until the completion of the Project, the audit committee comprising of staff, with experience and qualification, in numbers and under terms of reference acceptable to the Association; which committee shall be responsible for overseeing and settling any audit issues during the implementation of the Project.
3. The Recipient shall cause the Project Implementing Entity to maintain until the completion of the Project, a bid/proposal evaluation committee with composition and terms of reference acceptable to the Association, which shall include an international procurement specialist. The Association's concurrence shall be required for the formation and modification in the constitution of the committee.

B. Subsidiary Loan Agreement.

1. To facilitate the carrying out of the Project, the Recipient shall make the proceeds of the Credit available to the Project Implementing Entity under a subsidiary loan agreement ("Subsidiary Loan Agreement") between the Recipient and the Project Implementing Entity, under terms and conditions acceptable to the Association. The principal amount of the Credit made available under the Subsidiary Loan Agreement shall be: (a) denominated and repayable in Bangladeshi taka; (b) charged interest on the principal amount withdrawn and outstanding from time to time at the rate of four percent (4%); and (c) repayable over a period not exceeding (2) twenty years from the date of the Subsidiary Loan Agreement, inclusive of a grace period not exceeding five (5) years. The Subsidiary Loan Agreement shall also identify which party, Recipient or PGCB, is responsible for covering each of the counterpart expenditure categories identified in Section I.D below.
2. In case of failure by PGCB to comply with its counterpart expenditure responsibilities so identified under sub-clause (1) above, the Recipient shall promptly cover such expenditures as the default financier.

3. The Recipient shall exercise its rights and carry out its obligations under the Subsidiary Loan Agreement in such manner as to protect the interests of the Association and to accomplish the purposes of the Credit. 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. In the event of any conflict between the provisions of the foregoing Subsidiary Loan Agreement and this Agreement or the Project Agreement, the provisions of this Agreement or the Project Agreement shall prevail.

C. Safeguards

The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the activities under the Project are carried out in accordance with the provisions of the ESIA (including the EMPs and the RAPs).

D. Expenditures to be Exclusively Financed with Counterpart Funds

The Recipient shall ensure that the following expenditures are financed exclusively out of its own resources or the resources of the PGCB and not out of the proceeds of the Credit: (i) all land required for the purposes of the Project; (ii) all resettlement and rehabilitation compensation and other assistance to Affected Persons, in accordance with the RAPs; (iii) operational costs of the PMU including purchase of vehicles; (iv) consultancy costs including for the compiling of a fixed asset register for PGCB; (v) consultancy costs for the developing of the computerized financial management system for PGCB; (vi) interest during construction; (vii) recurrent expenditures such as workshop allowances, sitting allowances, cash per diems, honoraria and fuel; (viii) import and supplementary duties and value-added taxes at import stage; and (ix) value-added taxes on contracts.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall cause PGCB to monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

Section III. Withdrawal of the Proceeds of the Credit

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 Credit to: (a) finance Eligible Expenditures; and [(b) pay the Front-end Fee]; in the amount allocated and, if applicable, up to the percentage set forth against each Category in the following table:

Category	Amount of the Credit Allocated (expressed in Euro)	Percentage of Expenditures to be Financed (inclusive of Taxes- except for those referred to in Section I.D sub-clause (viii) and (ix) of this Schedule)
(1) Goods, works, non-consulting services, and consulting services for the Project	375,060,000	100%
(2) Front-end Fee	940,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 3.08 (b) of the General Conditions
TOTAL AMOUNT	376,000,000	

B. Withdrawal Period

1. The Closing Date is December 31, 2022.

SCHEDULE 3

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Credit and the percentage of the total principal amount of the Credit payable on each Principal Payment Date (“Installment Share”).

Level Principal Repayments

Principal Payment Date	Installment Share
On each January 15 and July 15 Beginning July 15, 2022 through July 15, 2052	1.61%
On January 15, 2053	1.79 %

APPENDIX

Section I. Definitions

1. "Affected Persons" means any person, who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; and/or (ii) loss of income resources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction or access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood or such person.
2. "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.
3. "Association's Safeguards Policies" means the operational policies and procedures for financing of development projects by the Association at the date of this Agreement and relating to Environmental Assessment, Natural Habitats, Pest Management, Indigenous Peoples, Physical Cultural Resources, Involuntary Resettlement, Forests, Safety of Dams, Projects on International Waterways, and Projects in Disputed Areas, as published under www.WorldBank.org/opmanual.
4. "Category" means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. "ESIA" means the environmental and social impact assessment report prepared by PGCB for the Project and disclosed on its website on October 18, 2017 which report includes the EMPs, as such assessment may be amended from time to time with the prior written approval of the Association.
6. "EMP" means each site-specific environmental management plan prepared by PGCB and included within the ESIA, setting out: (a) measures to effectively manage the environmental issues and concerns identified under the ESIA for the Project area; (b) required monitoring associated with the mitigating measures; and (c) implementation arrangements, including institutional requirements and responsibilities during the pre-construction, construction, and operation phases, required to (i) eliminate adverse environmental impacts of the activities to be implemented under the Project; (ii) offset them, or reduce them to acceptable levels; and (iii) enhance any positive impacts thereof, as such EMP may be amended and/or supplemented from time to time with the prior written agreement of the Association and "EMPs" shall collectively mean all such plans.

7. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated July 14, 2017, with the modifications set forth in Section II of this Appendix.
8. “PGCB” means the Power Grid Company of Bangladesh Limited, a public limited company incorporated under the Recipient’s Company Act, 1994 (Act No. 18 of 1994) which is the Project Implementing Entity responsible for implementing the Project.
9. “PMU” means the project management unit referred to in Section I.A of this Agreement.
10. “PGCB’s By-Laws” means the PGCB’s Articles of Association as amended to the date of this Agreement.
11. “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).
12. “Project Agreement” means the Agreement between the Association and PGCB relating to the implementation of the Project, as such agreement may be amended from time to time with the prior written agreement of the Association.
13. “Project Implementing Entity” means PGCB with which the Association will enter into a Project Agreement.
14. “Project Sites” means, for the purpose of Part 1 of the Project, as follows:
 - (i) for Part 1.a of the Project, shall be the areas comprising of Korerhat, Mirsharai, Chowmuhoni and Kachua, Kosba, Muradnagar, Chandina, Laksham, Laxmipur, Bashurhat, Maijdee, Patiya and Ananda Bazaar.
 - (ii) for Part 1.b of the Project, shall be the areas comprising of Chowmuhoni, Kachua, Basurhat, Maijdee, Laxmipur, Laksham, Chandina, Muradnagar, Kosba and Korerhat and Gazaria.
 - (iii) for Part 1.c of the Project, shall be the areas comprising of the Haliashahar in the Chittagong area.
15. “RAP” means each site-specific resettlement action plan, prepared by PGCB for the Project in accordance with the Association’s Safeguards Policies and disclosed on PGCB’s website on October 18, 2017, containing, *inter alia*, a program of actions, measures and policies for compensation of Affected Persons, including budget and cost estimates, and sources of funding, together with adequate institutional, monitoring and reporting arrangements capable of ensuring proper implementation of the RAP, as such RAP may be amended from time to time with

the prior agreement of the Association and “RAPs” shall mean collectively all such plans.

16. “Safeguard Instruments” means the ESIA, EMPs and RAPs prepared by the Project Implementing Entity in accordance with the provisions of Section I.C of the Schedule to the Project Agreement.
17. “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 Credit available to PGCB.
18. “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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Article VII is deleted in its entirety and the subsequent Articles are numbered accordingly.