



IPFF II Project Cell

Bangladesh Bank
Head Office
Dhaka
www.bb.org.bd

IPFF II Circular No. 01

Date: March 13, 2018

Chief Executive Officers (CEOs)/Managing Directors (MDs)
All Banks and Financial Institutions in Bangladesh
Head Office
Dhaka

Dear Sirs,

Financing Facility under the Investment Promotion and Financing Facility II (IPFF II) Project

A Financing Agreement was signed by the Government of People's Republic of Bangladesh (GoB) with the International Development Association (IDA) on November 05, 2017 to carry out IPFF II Project with a view to increase long term financing for infrastructure and to build capacity of the local financial institutions for promoting private sector-led infrastructure financing in Bangladesh. In pursuance of section I.C, Schedule 2 of the Financing Agreement, Finance Division, Ministry of Finance (MoF) on behalf of the GoB, in turn, signed an Administration Agreement with Bangladesh Bank on January 17, 2018 assigning responsibility to the latter to carry out IPFF II Project on behalf of them.

02. IPFF II Project Cell of Bangladesh Bank as Project Implementation Unit (PIU) will provide long-term Financing Facility to Participating Financial Institutions (PFIs) against government approved/endorsed investment projects for onward financing (Infrastructure Financing) in the eligible infrastructure sectors to be carried out by private sector investors/sponsors. The terms and conditions including operational procedures for availing Financing Facility are detailed in the Operations Manual (OM), which is attached herewith. Bangladesh Bank shall enter into a Master Facility Agreement with each PFI that meets the eligibility criteria set out in the OM.

03. Scheduled commercial banks in private sector and Financial Institutions that meet the eligibility criteria and intends to avail financing facility may apply to the Project Director of IPFF II Project preferably by April 19, 2018.

04. Application must include all required information and documents stated in Annexure 1 of the OM. Incomplete application will not be entertained.

Please bring the contents of this circular to the notice of all your constituents concerned. The circular will be effective immediately.

Sincerely yours,

Attachment: As mentioned

(Md. Zulkar Nayn)

Deputy General Manager, Bangladesh Bank
&

Deputy Project Director, IPFF II Project
Phone: 9530230

OPERATIONS MANUAL
of
INVESTMENT PROMOTION AND FINANCING
FACILITY II (IPFF II) PROJECT



PROJECT IMPLEMENTATION UNIT
IPFF II PROJECT CELL
BANGLADESH BANK

MARCH 2018

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ABBREVIATIONS AND ACRONYMS

A&BD	Accounts and Budgeting Department
BB	Bangladesh Bank
BDT	Bangladeshi Taka
BIFFL	Bangladesh Infrastructure Finance Fund Limited
CAO	Chief Accountant's Office
CIB	Credit Information Bureau
COD	Commercial Operation Date
CPTU	Central Procurement Technical Unit
DFI	Development Finance Institution
DoE	Department of Environment
DOSA	Dollar Special Account
ECAI	External Credit Assessment Institutions
ECC	Environmental Clearance
EFT	Electronic Fund Transfer
e-GP	Electronic Government Procurement
EHS	Environment, Health and Safety
EPC	Engineering, Procurement and Construction
ERD	Economic Relations Division
E & S	Environmental and Social
ESA	Environmental and Social Audit
ESAP	Environmental and Social Action Plan
ESIA	Environmental and Social Impact Assessment
ESMP	Environmental and Social Management Plan
ESMS	Environmental and Social Management System
ESPP	Environmental and Social Policy and Procedures
ESRM	Environmental and Social Risk Management
FAA	Facility Access Agreement
FAPAD	Foreign Aided Project Audit Directorate
FC	Foreign Currency
FD	Finance Division
FEPD	Foreign Exchange Policy Department
FID	Financial Institutions Division
FIDP	Financial Institutions Development Project
FM	Financial Management
FRTMD	Forex Reserve and Treasury Management Department
GED	General Economic Division
GoB	Government of the People's Republic of Bangladesh
GPN	General Procurement Notice
ICB	International Competitive Bidding
ICT	Information and Communication Technology
IDA	International Development Association
IDCOL	Infrastructure Development Company Limited
IEE	Initial Environmental Examination

IFC	International Finance Corporation
IM	Information Memorandum
IMED	Implementation Monitoring and Evaluation Division
IPDP	Indigenous People's Development Plan
IPFF	Investment Promotion and Financing Facility
IUFR	Interim Unaudited Financial Report
L/C	Letter of Credit
LLCR	Loan Life Coverage Ratio
LoI	Letter of Intent
M&E	Monitoring and Evaluation
MFA	Master Facility Agreement
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MRR	Materials Receipt Report
MTD	Model Tender Document
NBFI	Non-Bank Financial Institution
NCT	National Competitive Tender
NPL	Non-Performing Loan
OM	Operations Manual
OTM	Open Tendering Method
PA	Procuring Agency
PAC	Project Audit Committee
PD	Project Director
PE	Procuring Entity
PFI	Participating Financial Institution
PFP	Procurement Focal Person
PIC	Project Implementation Committee
PIU	Project Implementation Unit
PMO	Prime Minister's Office
PO	Purchase Order
PPA	Public Procurement Act
PPP	Public Private Partnership
PPPA	Public Private Partnership Authority
PPR	Public Procurement Rules
PPSD	Project Procurement Strategy for Development
PR	Performance Rating
PSC	Project Steering Committee
RAP	Resettlement Action Plan
SCC	Site Clearance Certificate
SEID	Socio-Economic Infrastructure Division
SFD	Sustainable Finance Department
STEP	Systematic Tracking of Exchanges in Procurement
TA	Technical Assistance
TAPP	Technical Assistance Project Proposal

ToR	Terms of Reference
TSA	Technical Services Agreement
UNDB	United Nations Development Business
USD	United States Dollar

INVESTMENT PROMOTION AND FINANCING FACILITY II PROJECT

OPERATIONS MANUAL

1. Introduction

A ‘Financing Agreement’ was signed by the Government of the People’s Republic of Bangladesh (GoB) with the International Development Association (IDA) on November 05, 2017 for Euro 94.40 million (approximately United States Dollar (USD) 100.00 million equivalent) and Special Drawing Right (SDR) 189.70 million (approximately USD 256.70 million equivalent) under IDA Credit Number 6004 (Portion A)-BD & IDA Credit Number 6005 (Portion B)-BD respectively along with USD 60.00 million equivalent Bangladeshi Taka (BDT) counterpart fund from GoB to carry out Investment Promotion and Financing Facility II (IPFF II) Project with a view to increase long term financing for infrastructure and to build capacity of the local financial institutions for promoting private sector-led infrastructure financing in Bangladesh. In pursuance of Section I.C, Schedule 2 of the Financing Agreement, Finance Division (FD), Ministry of Finance (MoF) on behalf of the GoB, in turn, signed an Administration Agreement with Bangladesh Bank (BB) on January 17, 2018 assigning responsibility to the latter to carry out IPFF II Project on behalf of them. The total cost of the IPFF II Project is USD 416.70 million (BDT 327942.90 Lac equivalent). Out of this amount, USD 13.00 million (BDT 10231.00 Lac equivalent) will be used for Technical Assistance Component and the rest USD 403.70 million (BDT 317711.90 Lac equivalent) will be used for Long-Term Infrastructure Financing Component. The tenure of the Project is five (5) years i.e. from July 2017 to June 2022.

This Operations Manual (OM) delineates the procedures and other relevant issues for effective implementation of the IPFF II Project. BB, with endorsement from IDA, may amend/revise the manual from time to time. As per Section 1.B, Schedule 2 of the Financing Agreement, BB has prepared this OM setting out the operational and administrative procedures for Project. The scope of this OM includes: (i) procurement and financial management procedures; (ii) eligibility criteria for selection of the Participating Financial Institutions (PFIs) and selection of Subprojects; (iii) terms and conditions for Investment Financing; (iv) implementation of Subprojects; (v) the staffing, management and responsibilities of the Project Implementation Unit (PIU) to be called as IPFF II Project Cell; (vi) key Environmental and Social Risk Management (ESRM) arrangements and obligations of the PIU, PFIs and Investment Sponsors; (vii) grievance redress mechanism and enforcement of the same under IPFF II Project.

2. Objectives of IPFF II Project

The main objective of the project is to increase long-term financing for infrastructure and to build capacity of the local financial institutions for promoting private sector-led infrastructure financing in Bangladesh.

IPFF II is designed to achieve the above objective by way of following two broad components:

Component 1 (Long-Term Infrastructure Financing Component):

Long-term financing will be provided under the IPFF II Facility (the Facility) to PFIs for further on-lending and investment support of long-term infrastructure investments by private sector investors/Investment Sponsor (hereinafter called Sponsor).

In addition to conventional debt, the long-term financing component will support leveraging the market through innovative and diverse financial instruments. The instruments will include innovative debt instruments such as promoter/sponsor loans, mezzanine financing, takeout financing facilities, specialized project/infrastructure bonds etc. Moreover, equity and credit guarantees/credit enhancement¹ will also be piloted. Bangladesh Infrastructure Finance Fund Limited (BIFFL) will take the lead in developing innovative instruments and piloting the same based on market response and the design will be agreed with BB and IDA. Regardless of the type of instrument and nature of claim (debt/equity) associated with the transaction, the financing to PFIs will be in the form of on-lending (debt).² As such, at the BB to PFI level, treatment of financing parameters will be the same across regular debt financing and other financial instruments, including equity and guarantees. Tentatively USD 30 (Thirty) million is primarily earmarked for the innovative financing instruments; in case less than a full indicative amount is used for this purpose, the funds will be utilized for traditional on-lending and vice versa.

As regards administration of equity, guarantees, and other eligible infrastructure finance instruments to be introduced in the project, the project funds will be disbursed to the PFIs as debt, on terms and conditions agreed for these instruments during project implementation.

Component 2 (Technical Assistance Component):

This component will provide

- i) Technical assistance to Public Private Partnership Authority (PPPA) for the development of the infrastructure project pipeline, including PPPs.
- ii) Technical assistance for strengthening capacity of project stakeholders such as: government agencies, PFIs and Investment Sponsors in the area of environmental and social risk management in infrastructure project financing.
- iii) Technical assistance to BIFFL for the development of new long-term infrastructure finance instruments.
- iv) Support to BB for Project implementation activities.

¹Utilizing the project funds for guarantee reserves to be created.

² Such instruments could expand financing options to the borrowing companies and also allow traditional lenders—banks and nonbank financial institutions, institutional investors—to expand their provision of finance to the infrastructure projects on improved terms (lower interest rates, longer maturities, better currency, and structuring choices) and with more options for risk management.

3. Background

BB implemented a project named Investment Promotion Financing Facility (IPFF) Project with a view to provide long-term loan for infrastructure projects and to promote the role of private sector entrepreneurs in the development of infrastructure. IPFF started its journey back in 2007 with IDA Credit Number 4169-BD amounting USD 50.00 million. GoB contributed 20% of IDA money (USD 10.00 million equivalent BDT) as counterpart fund. In the backdrop of utilizing the entire amount to finance some small power plants much ahead of credit closure and having demand for long-term fund in the financial market, the IDA extended additional financing of USD 257.00 million through IDA Credit Number 4693-BD and GoB contributed USD 50.00 million equivalent BDT as counterpart fund which was successfully closed on December 31, 2016. Under IPFF, twelve power plants having capacity of 589 Megawatt, three water treatment plants, one inland container depot & cargo freight station, one dry-dock, one jetty construction, two nationwide telecommunication transmission network projects, and one hospital infrastructure project have been financed through the PFIs. However, due to huge demand for Infrastructure Financing, GoB and IDA agreed to continue its support by way of a follow-on project IPFF II Project to enhance long-term financing and provide Technical Assistance (TA).

4. Implementation Arrangement

4.1 Management:

- i. IPFF II Project Cell of BB will act as the PIU and be responsible for overall implementation, coordination and supervision of project activities as per Administration Agreement signed between GoB and BB. Technical Advisors/Consultants will be appointed/hired to provide technical support to IPFF II Project Cell in reviewing financing facility loan proposal and other activities relating to project under Technical Services Agreements (TSA)/Contracts. Technical Advisors/ Consultants will execute certain activities relating to IPFF II, PPPA and BIFFL as per the TSA/contract under direct supervision of respective organizations. IPFF II Project Cell will oversee the Technical Advisor's/Consultant's activities under the project.
- ii. Executive Director or any other official of BB nominated by Governor of BB will be the Project Director (PD) of IPFF II Project. He/She will implement the project components with the cooperation of FD, Economic Relations Division (ERD), PPPA and BIFFL. The PD will be the approval authority for all Facility Loan proposals under the Project after getting concurrence from IDA. He/She will also be the approval authority for payment of all expenses including goods, services and consulting services under TA Component of the Project complying regulations of GoB and/or IDA. He/She may refer cases to the Governor of BB by his own judgment during the approval process.
- iii. A Project Implementation Committee (PIC) headed by the Governor, BB and representatives³ from FD, Financial Institution Division (FID) and ERD of MoF, Socio-Economic Infrastructure Division (SEID), General Economic Division (GED) and Implementation Monitoring and Evaluation Division (IMED) of Ministry of Planning and Prime Minister's Office (PMO) will

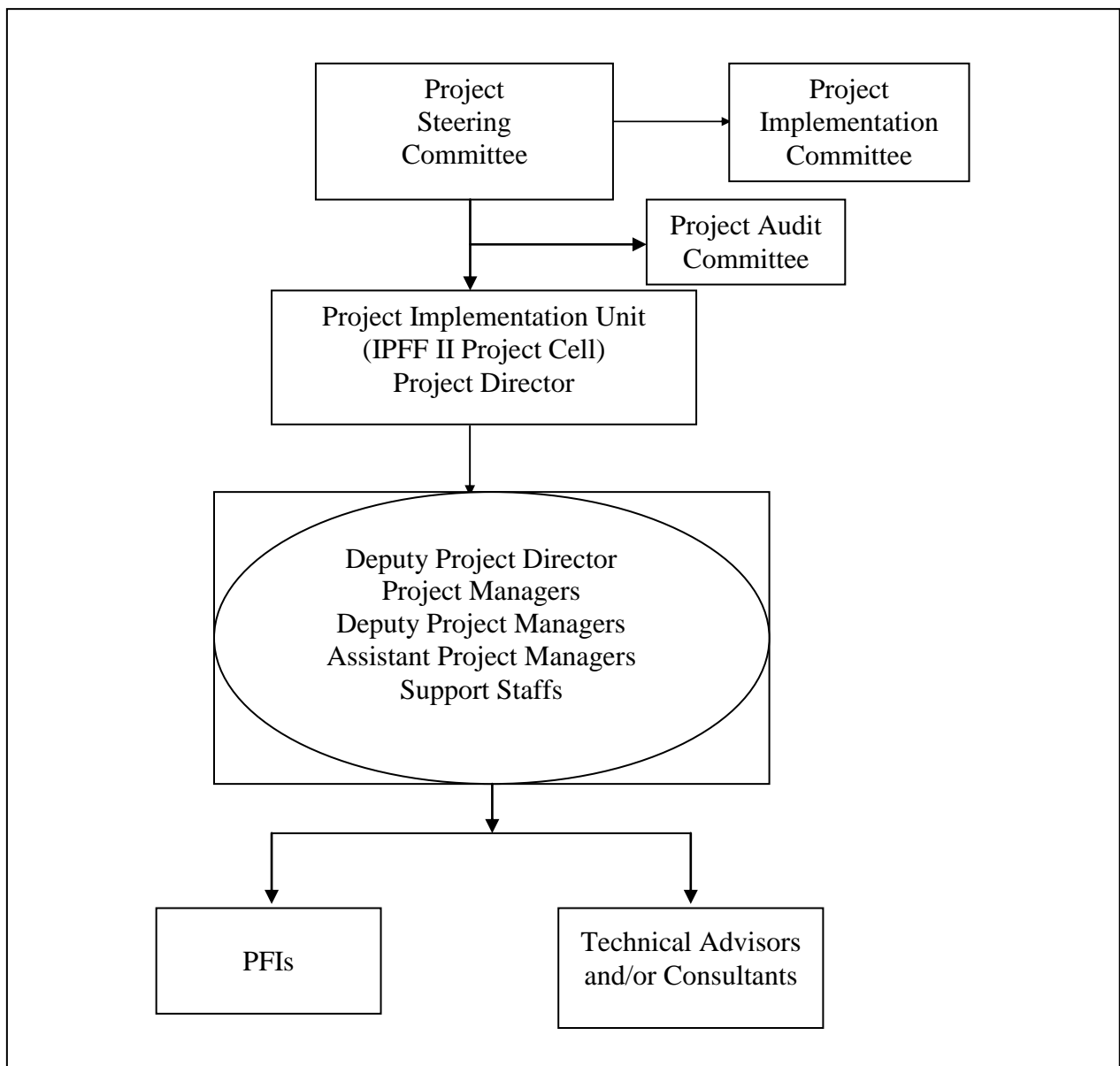
³ Finance Division with consultation of IPFF II Project Cell may increase or decrease the member/ number of representative of the PIC.

meet periodically to decide on implementation aspects of the project. The PD will act as the Member Secretary of the PIC.

- iv. A Project Steering Committee (PSC) headed by the Senior Secretary/Secretary, FD and representatives⁴ from FD, FID and ERD of MoF, IMED and SEID of Ministry of Planning and PMO will meet periodically to decide on policy and major implementation aspects of the project. The PD will act as the Member Secretary of the PSC.

4.2 IPFF II Project Management Set-up:

Following diagram summarizes the project management set-up:



⁴ Finance Division may increase or decrease the member/number of representative of the PSC.

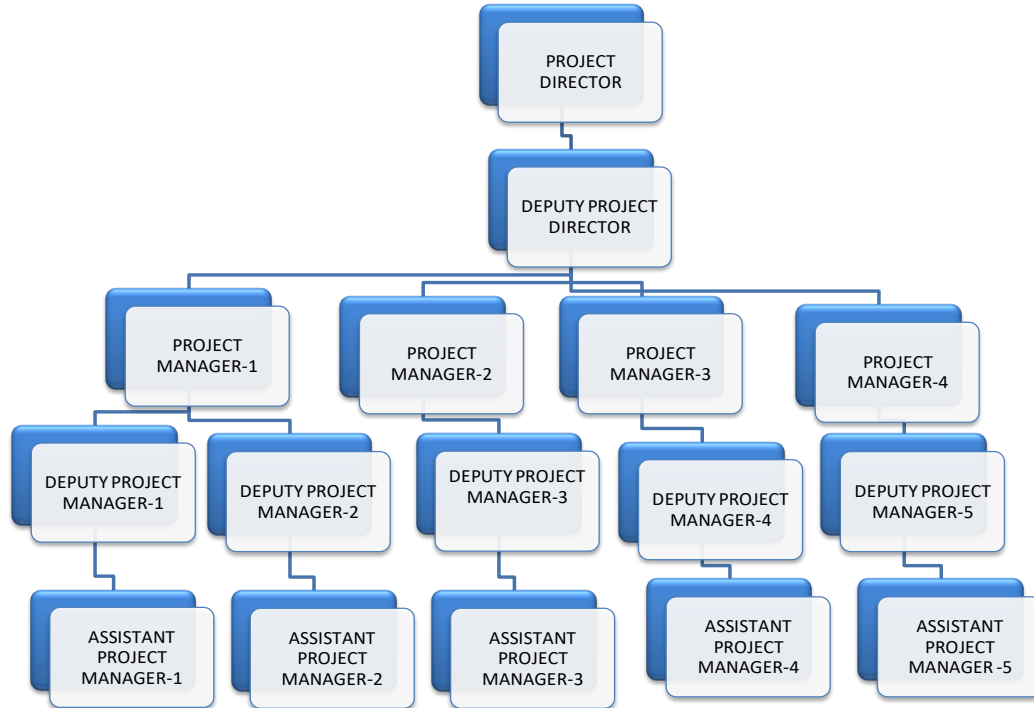
4.3 Roles and Responsibilities of IPFF II Project Cell:

IPFF II Project Cell of BB will act as the PIU for IPFF II Project and be responsible for overseeing and management of IPFF II fund. This cell will coordinate with concerned ministries, IDA, PPPA, BIFFL, different departments and units of BB to ensure effective implementation of the Facility. Responsibilities of IPFF II Project Cell will be as follows:

- i. Identifying and selecting eligible PFIs following the criteria delineated in this manual, and signing separate Master Facility Agreement (MFA) with the selected PFIs. PFIs' compliance with these eligibility criteria will be closely monitored and tracked on an on-going basis.
- ii. Receiving loan applications for IPFF II facility loan from PFIs.
- iii. Reviewing the loan applications to ensure that the loans are provided to the target group, and follow proper procurement process and safeguard including environmental and social procedures.
- iv. Processing withdrawal requests with IDA and GoB to make the fund available for onward disbursement to PFIs and meeting expenses under TA.
- v. Approving facility and disbursement of funds according to the policy guidelines and OM.
- vi. Maintaining all disbursement records and accounts of each PFI along with supporting documents.
- vii. Recovering installments (Principal and Interest) and other applicable charges from PFIs as per the amortization schedule and OM.
- viii. Conducting off-site monitoring supported by on-site inspection, if needed both, at the PFIs and the ultimate borrower entities/Sponsors in order to ensure the effective utilization of the facility.
- ix. Collecting periodic progress reports of implementation of the Subprojects from the PFIs and forwarding the consolidated reports to the IDA.
- x. Preparing and posting all transaction vouchers as per the procedures given in OM.
- xi. Arranging workshops, seminars and training programs on different aspects of the project.
- xii. Monitoring environmental and social safeguards compliance of the investment sponsor in line with Environmental and Social Policy and Procedures (ESPP) of IPFF II Project.
- xiii. Ensuring PFIs' compliance with the Project's safeguards and fiduciary framework.
- xiv. Procuring goods and services as per procurement plan of IPFF II following Project Procurement Strategy for Development (PPSD) of IPFF II Project.
- xv. Performing other tasks and functions as are necessary to achieve the objective of the Project.

4.4 Organogram:

ORGANOGRAM OF IPFF II PROJECT CELL



4.5 Roles and Responsibilities of BIFFL and PPPA:

- i. BIFFL and the PPPA will maintain organizational arrangements overseen by the respective heads of the organizations to absorb TA successfully which will include monitoring and evaluation of internal performance and results that will feed into the overall project Monitoring and Evaluation (M&E) structure.
- ii. Managing the steps in relevant consultancy services as per the approved procurement plan of IPFF II, as shared by BB PIU.
- iii. Provide monitoring reports to the BB PIU and the IDA in an agreed format and periodicity.
- iv. Maintain financial accounts so as to ensure smooth financial reviews/audits of their TA allocations as part of the overall Financial Management (FM) of the project.
- v. Also embed appropriate Environmental and Social (E & S) considerations into their project related activities, in line with the overall project E & S design.

5. Selection of PFIs

For being a PFI of IPFF II, private sector scheduled commercial banks (including foreign banks duly licensed in Bangladesh) and non-bank financial institutions (NBFIs) operating in Bangladesh can apply. IPFF II Project Cell will have the responsibility for selecting and enlisting banks and NBFIs as the PFIs subject to their compliance with the eligibility criteria as mentioned in the **Annexure 1**.

MFAs (format available in <https://www.bb.org.bd>) will be signed between IPFF II Project Cell and the selected financial institutions that meet the eligibility criteria. The PFIs, thereafter, need to maintain the required standard level of operations, to be reviewed annually during IPFF II tenure. IPFF II Project Cell may delist any PFI failing to comply with the eligibility criteria or breaching any clause in the MFA. IPFF II Project Cell will share eligibility review summary with IDA for concurrence before signing MFA.

The two state-owned development finance institutions (DFIs), BIFFL and Infrastructure Development Company Limited (IDCOL), which are licensed as NBFIs, will also be eligible to participate as PFIs. Separate MFA will be signed between IPFF II Project Cell and the two DFIs.

Once MFA is signed, the PFIs can start submitting the loan applications and proposals to IPFF II Project Cell for availing the fund.

6. Responsibilities of PFIs

The PFIs will undertake credit/investment risks of the infrastructure projects and be responsible for the detailed assessments of the projects' soundness, financial and economic feasibility, and ESRM aspects. The PFIs will also monitor implementation of the financed infrastructure projects and will maintain accounts and records which will allow smooth review/monitoring and assessment of the individual projects and the entire infrastructure project portfolio of IPFF II. The details are as follows:

- i. Financing facility shall be provided for the sectors mentioned in Section Seven (7) of this manual.
- ii. Intending private entrepreneur/investment sponsor of a Subproject can approach any selected PFIs for availing Facility Loan.
- iii. Respective PFIs will conduct due diligence on the Subproject proposed by the Sponsor.
- iv. PFIs will be responsible for reviewing individual Subproject for eligibility under the facility against eligibility criteria, including the List of Excluded Activities (Exclusion List) as mentioned in **Annexure 2** and BB ESRM guidelines list issued by Sustainable Finance Department (SFD) of BB;
- v. ESRM screening, identification of risks and impact process as conducted by the Sponsor, and performance monitoring of the respective Subproject will be conducted as per the procedure described in the IPFF II E & S Policy and Procedures prepared and disclosed by BB. The PFIs will keep track, in collaboration with the respective Sponsor, of the Subproject's ESRM compliance issues.

- vi. PFIs shall be permitted to finance Subprojects associated with high risk activities listed in the List of Environmentally and Socially Sensitive Activities as mentioned in **Annexure 3** provided IDA and IPFF II Project Cell are of the view that they have sufficient capacity to manage these risks.
- vii. After necessary approval at their end, PFIs will send the loan application (**Annexure 4**) along with document checklist (**Annexure 5**) and related documents (**Annexure 6 & 7**) to IPFF II Project Cell.
- viii. Syndication amongst the PFIs and non-PFIs will be permitted. However, IPFF II Facility will be provided to PFIs only. The lead PFI will be the focal point for operation of the financing facility and its repayment to BB. All the PFIs will be responsible for credit administration and recovery from the Sponsors.
- ix. Before financial closure, the PFIs will have to arrange financial/credit syndication with other PFIs and non-PFI partners in the market. Quality of the PFIs' risk management process will have an impact on their selection of non-PFI syndication partners.
- x. PFIs must ensure that standard commercial practices of the Subproject acceptable to the IDA and BB, have been followed by the Sponsor in procuring the goods, services or works.
- xi. PFIs must ensure proper utilization of the fund for the intended purpose.
- xii. PFIs will coordinate with BB and IDA in off-site and on-site quality check of such financing.
- xiii. PFIs will submit reports (as per **Annexure 8**) on disbursement of IPFF II facility quarterly and utilization of fund to IPFF II Project Cell as required.
- xiv. PFIs may seek necessary guidance from IPFF II Project Cell for capacity building regarding proper implementation of Environmental and Social Management System (ESMS) and appraisal of Subproject.
- xv. PFIs must ensure compliance with all regulatory and supervisory requirements of BB.
- xvi. PFIs will co-invest (either alone or by syndication) assuming all credit risk and shall exercise its rights in relation to each Investment Project in such manner as to (a) protect the interests of BB, the GoB, the IDA, and of the PFI; (b) comply with its obligations under the MFA; and (c) achieve the purposes of the credit as per terms mentioned in OM.
- xvii. PFIs will not be associated with corrupt and unethical business activities or practices inconsistent with the Investment Project pursuant to the OM.
- xviii. After receiving approval to participate in the Facility, the PFIs must continue to satisfy the eligibility criteria as per MFA.

- xix. If the PFI is not in compliance with any of the eligibility criteria, IPFF II Project Cell will promptly notify the PFI regarding the specific eligibility criteria which the PFI is not in compliance and seek appropriate response from the PFI to remedy the violation within a stated agreed upon time period.
- xx. If the PFI fails to maintain its eligibility status under the Facility or fails to repay the outstanding facility loan by a specific date with up to date interest, the IPFF II Project Cell with intimation to IDA, will have the right to suspend all infrastructure financing amortizations under the facility and recover the outstanding facility loan with up to date interest by debiting current account (local currency) and/or foreign currency (FC) clearing Account of the PFI with BB.
- xxi. IPFF II may re-establish the eligibility status of the PFI upon demonstrated compliance by the PFI that the specific eligibility violations have been removed, mitigated or no longer exists.
- xxii. PFI will ensure that, within three days of occurrence, Sponsors notify the PFI, and the PFI in turn, notifies IPFF II Project Cell, of any social, labor, health and safety, security or environmental incident, accident or circumstance having, or which could reasonably be expected to have, any material impact on compliance of the Subproject with the agreed Environmental and Social Management Plan (ESMP).
- xxiii. PFI will follow all the instructions issued/given by IPFF II Project Cell regarding investment facilities.

7. Eligible Sectors for IPFF II Financing

Long-Term Infrastructure Financing facility will be extended through the PFIs against government approved/endorsed (by appropriate authority/licensed by competent authority in applicable case) infrastructure projects in eligible sectors mentioned as follows:

- i. Power generation, transmission, distribution, renewable energy and services;
- ii. Port development (sea, river and land) including inland container terminals, inland container depot and other services;
- iii. Environmental, industrial and solid waste management projects;
- iv. Highways and expressways including mass-transit, bridges, tunnels, flyovers, interchanges, city roads, bus terminals, commercial car parking, etc;
- v. Airports, terminals and related aviation facilities;
- vi. Water supply and distribution, sewerage and drainage;
- vii. Industrial estates, economic zones, eco parks, theme parks and parks development;
- viii. Social sector including infrastructure in health and education;
- ix. Information and communication technology (ICT, including wi-max, internet backbone and e-learning facilities);

8. Requirements of Investment Sponsor

The Sponsors willing to avail the IPFF II Fund through the PFIs under this Facility shall follow the following procedures:

- i. The Sponsor shall have received a Letter of Intent (LoI) legally and systematically from the concerned government agency for the government-sponsored infrastructure investment project
Or
The Sponsor shall have prepared a proposal for a private infrastructure project of a type identified by the government as eligible for financing under the facility.
- ii. The Sponsors shall have the capability in terms of financial, management and industry working to carry out the Subproject.
- iii. The Sponsor shall provide evidence of ability to inject/provide required equity contribution to the development of the proposed investment project.
- iv. The Sponsor shall have received the credit approval from the PFIs for the investment project.
- v. The Sponsor shall have obtained appropriate environmental clearance from the Department of Environment (DoE) and other clearance from the related government agencies. If the clearance is under process of examination/issuance, the Sponsor must submit the clearance to the PFI before the fund disbursement.
- vi. The Sponsor shall carry out the process of identification of E & S risks and impacts of Subproject, as well as prepare required management plans, ensure adequate stakeholder engagement process and disclosure, conduct monitoring and reporting (to BB and other stakeholders, as needed), on the implementation of E & S risk management measures, in accordance with the requirements of the World Bank Performance Standards. The Sponsor will follow the process described in IPFF II E & S Policy and Procedures.
- vii. The Sponsor shall abide by all the prevailing rules and regulation of GoB, IDA and BB.

9. Terms and Conditions for Sanctioning Infrastructure Financing

- i. IPFF II Financing Facility will be provided to PFIs as the partial debt financing to the infrastructure investment proposal. The Sponsor will typically bring 25 (Twenty Five) percent or more of the total Subproject cost as equity.
- ii. IPFF II Project will finance no more than 50 (Fifty) percent of the total project cost of a Subproject and maximum financing to a single infrastructure Subproject shall not exceed 20 (Twenty) percent of the total IDA allocation under long-term infrastructure financing/on-lending component.
- iii. The rest of the total financing will require to be financed by the PFI alone or, in syndication, with other financial institutions. The PFIs and other financial institution will provide their shares of the financing to the Subproject in local currency or foreign currency or both.

- iv. Financing facility will be extended either in USD or in BDT, or in a combination of both USD and BDT, at fixed or variable rates, depending on request by the PFIs and business need of the Subproject.
- v. Facility Loan in USD financing will be provided only to the PFIs who are authorized by BB to deal in foreign exchange. PFIs will have to obtain permission/approval from Foreign Exchange Policy Department (FEPD) of BB for such financing, if necessary.
- vi. The interest rate of facility loans for PFIs shall be as follows:

Currency	Fixed	Variable
USD	USD 10-year swap rate + 50 Basis Point (bp)	USD 12-month Libor (Potentially also USD 6-month Libor + 30 bp and USD 3-month Libor + 60 bp)
BDT	GoB T-Bill 364-day yield + 100 bp	GoB T-Bill 364-day yield

- vii. The interest rate on the Facility Loans shall be standardized across PFIs. The grace period and amortization schedule shall match that of infrastructure financing extended by PFIs, subject to the maximum terms indicated below. It may be noted that the grace period offered to the Sponsor by a PFI can be longer but cannot be shorter than the grace period the PFI receives from IPFF II. Maturity of loans to the PFIs will aim to mirror maturity of financing from the PFIs to project Sponsors. Financing for the private sector Sponsors may be made for working capital and investment purposes. The list of applicable reference interest rates of facility loans will be continuously maintained by IPFF II Project Cell.
- viii. Facility Loans to the PFIs will have at least 8 (Eight) years (or 96 months) of maturity and can be provided up to 20 (Twenty) years (or 240 months), including grace period of maximum 3 (Three) years. Grace period may be extended in exceptional cases, subject to concurrence of IDA.
- ix. Facility Loans shall be disbursed to PFIs against Infrastructure Financing made or to be made by PFIs to finance Subprojects and shall be completed before the closing date of the IPFF II Project.
- x. PFIs shall disburse Infrastructure Financing to Sponsors immediately after getting funds from IPFF II Project.
- xi. The interest rate on facility loans to the investment Sponsor shall be determined by the respective PFI in accordance with its usual lending practices. The cost of financing by PFIs to investment sponsor will include, at a minimum, the cost of the project fund plus an on-lending margin reflecting: (i) the PFI's administrative costs and (ii) a credit risk margin.
- xii. When presenting the infrastructure financing proposal (submitted by the PFI & reviewed by the technical advisor/consultant) to the IDA for approval, IPFF II Project Cell will include:
 - a. a description of the Investment Sponsor and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the credit; Environmental and Social Impact Assessment (ESIA) or Environmental and Social Audit (ESA), as applicable, and any environmental and social risk management

plans, such as Resettlement Action Plan (RAP) that might have been prepared by sponsor by that time as well as Environmental and Social Action Plan (ESAP) that will list actions to be taken by sponsor to ensure compliance with Bangladesh regulations and World Bank Performance Standards.

- b. the proposed terms and conditions of the Infrastructure Financing, including the schedule of amortization of the Infrastructure Financing; and such other information as the IDA shall reasonably request.
- xiii. All Infrastructure Financing by a PFI shall be subject to prior concurrence by the IDA. Selection of Subprojects shall be based on the principles of value for money, economy, integrity, fit-for-purpose, efficiency, transparency, fairness, and innovativeness.
- xiv. The Infrastructure Financing shall be made on terms whereby the PFI shall obtain, by written contract with the Investment Sponsor or by other appropriate legal means, rights adequate to protect the interests of the GoB, the IDA and the PFI, including right to
- a) require the investment sponsor to (i) carry out and operate the Investment Project with due diligence and efficiency, in accordance with the provisions of Anti-Corruption Guidelines, and in accordance with sound technical, financial, managerial, social and environmental standards and practices acceptable to the IDA; (ii) maintain adequate records and (iii) provide, promptly as needed, the resources and labor required for carrying out the Investment Project.
 - b) require that: (i) the goods and services to be financed out of the proceeds of the credit shall be procured in accordance with established commercial practices and procedures satisfactory to the BB and IDA; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;
 - c) require the Investment Sponsor to carry out the ESMPs and ESMS in a manner satisfactory to the PFI, IPFF II Project Cell, GoB and the IDA
 - d) require the Sponsor to annually carry out the audit of the Investment Project under terms of reference satisfactory to the PFI;
 - e) inspect, by the PFI itself or jointly with representatives of the BB/IDA if the BB/IDA shall so request, such goods and the sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents;
 - f) require that: (i) the Investment Sponsor shall take out and maintain with responsible insurers such insurance, against such risks and in such amounts, as shall be consistent with sound business practice; and (ii) without any limitation upon the foregoing, such insurance shall cover hazards incident to the acquisition, transportation and delivery of goods financed out of the proceeds of the Credit to the place of use or installation, any indemnity there under to be made payable in a currency freely usable by the Investment Sponsor to replace or repair such goods.
 - g) obtain all such information as the GoB, BB, IDA or the PFI shall reasonably request relating to the foregoing and to the administration, operation and financial condition of the Sponsor and to the benefits to be derived from the Investment Project; and

- h) suspend or terminate the right of the Sponsor to the use of the proceeds of the Credit upon failure by such Sponsor to perform its obligations under its contract with the PFI
- xv. The PFI shall enter into an Infrastructure Financing Agreement with each Sponsor to finance the implementation of Investment Projects/Subprojects.

10. Operational Procedure for Availing Facility Loan

- i. The Sponsors, after being selected to undertake a government approved/endorsed (by appropriate authority/licensed (by competent authority in applicable case) infrastructure projects in eligible sectors mentioned in Section Seven (7) of this OM, will approach to a PFI.
- ii. The Sponsor will request PFIs for financing the subproject along with a project profile completed with financial appraisal and technical studies, documents and papers required by the PFI, IPFF II Project Cell and IDA. Investment Projects will also be required to submit their procurement plan along with the proposal. A checklist (not exhaustive) for the documents required by IPFF II Project Cell and the IDA is given in **Annexure 5**.
- iii. The PFI, having received the proposal, if agreeable to invest in the Subproject, conducts due diligence to assess the credit worthiness of the investment sponsors and viability, credit risks and environmental and social risks of the investment project.
- iv. A PFI intending to finance a Subproject may approach IPFF II Project Cell with request for getting facility from IPFF II.
- v. IPFF II Project Cell will do the initial scrutiny as per the checklist and will forward the proposal to the Technical Advisors/Consultants.
- vi. The Technical Advisors, Environment & Social Consultants/Technical Committee and other consultants (if any) appointed by IPFF II Project Cell will review the proposed investment project and provide their advice/recommendation.
- vii. IPFF II Project Cell will not take commercial/credit decisions when reviewing the proposals; rather IPFF II Project Cell, with support from Technical Consultants and E & S qualified consultants as needed, reviews whether the investment projects to be financed meet predefined criteria e.g., acceptable procurement, sufficient equity participation, Subprojects conform with E & S applicable requirements including adequate E & S impact assessment and management plans prepared or under preparation etc.
- viii. Based on the assessment and recommendation, if the Subproject is found to adhere to IPFF II objectives, OM, and GoB policies, IPFF II Project Cell will request IDA to accord concurrence for funding the Subproject.
- ix. IDA will review the proposal and, if considers acceptable, provides its concurrence for funding the Subproject. IDA review will be based on the following
 - Review of technical specifications of investment project
 - Review of adequacy of procurement process and compliance of procurement process with commercial practices acceptable to the IDA

- Review of compliance of investment project to environmental and social management policy and procedure
- x. If required, IPFF II Project Cell/PFIs will send the Subproject proposal to FEPD of BB for their concurrence/permission for financing in USD from IPFF II Project Cell.
- xi. Upon receiving concurrence for financing the Subproject proposal from IDA, facility loans will be extended against that Subproject through the PFIs.
- xii. Repayment by PFIs will be made in BDT and/or USD as per Facility Access Agreement (FAA). In case of USD financing, repayment will have to be made in USD and for BDT financing the repayment will have to be made in BDT.
- xiii. Repayment of the loan will start after a certain grace period and to be repaid on quarterly/half yearly instalments. The grace period will be determined by the PFIs based on the projected timing of the cash inflows of Subproject. However, the grace period will not be more than 3 (three) years.
- xiv. An indicative amortization schedule for the repayment will be prepared by the PFIs in consultation with IPFF II Project Cell during the signing of FAA. However, final amortization schedule will have to be submitted to IPFF II Project Cell in due course. In case of multiple instalments of disbursements, this amortization schedule may be revised at the closing of the financing to reflect the actual disbursement.
- xv. Eligible investment projects are considered for financing by IPFF II Project Cell on a first-come-first-served basis. Applications incomplete in any respect will fall back in the queue and will be overtaken by other complete applications in the disbursement process.
- xvi. Other terms and conditions related to facility loans described in OM are also applicable for Subproject financing.

The above implementation arrangement is shown in a diagram in **Annexure 9**.

11. Repayment Mechanism

- i. As per amortization schedule, each PFI is required to pay the full amount by Cheque/Demand Draft/Electronic Fund Transfer (EFT) or any other means instructed by IPFF II Project Cell on due date.
- ii. IPFF II Project Cell and PFI will monitor the total repayment system.
- iii. Value date for repayment received is the date (before noon) the cheque or demand draft is handed over to IPFF II Project Cell. In case of EFT, the date provided by the debit authority will be the value date.
- iv. At the close of repayment day, if there are any non-payments, the PFI will contact and communicate with IPFF II Project Cell that the repayment has been missed out. IPFF II Project Cell may also contact and remind them.
- v. Late payments are subject to penalties at the prevailing interest rate applicable for the Subproject.
- vi. If the repayment date happens to be a holiday, the repayment will then be payable on the next working day without penalties.

- vii. Each PFI should maintain a database regarding their repayment due dates and monitor properly.
- viii. Pre-payments are allowed without penal interest. But commitment charge @ ½ (Half) of 1.00% (One Percent) is payable for premature adjustment of the entire amount of loan outstanding.
- ix. In case of partial pre-payment, repayment schedules are redrawn, and the new repayment schedule is entered into the system.

12. Restructuring of Facility Loan

Restructuring of facility extended to PFIs may be allowed in very exceptional cases, subject to concurrence of IDA.

13. Master Facility Agreement

Private Sector Scheduled Commercial Banks and NBFIs that meet the eligibility criteria for enlistment and continuity as PFI will be enlisted with the IPFF II as PFIs. A PFI, to be eligible for IPFF II credits, shall enter into a MFA with BB, the terms and conditions of which, inter alia, provide that:

- i. The PFI shall conduct its operations and affairs in accordance with sound financial standards and accounting and auditing practices, compliance with BB prudential norms as minimum capital adequacy ratio, maximum foreign currency exposure limits, positive return on equity in the last three years; adequate organization, management, staff and other resources, application of appropriate procedures for appraisal, supervision, and monitoring (including procurement, E & S risk management), satisfactory to the IDA.
- ii. The PFI shall establish and maintain procedures and operational policies, satisfactory to BB, for the appraisal, supervision and monitoring of infrastructure financing.
- iii. The PFI shall ensure that infrastructure financing will be made in accordance with the procedures and on the terms and conditions set forth in the OM of IPFF II Project.
- iv. The PFI shall exercise its rights in relation to each Subproject in such manner as to: (i) protect the interests of BB, the GoB, IDA, and the PFI; (ii) comply with its obligations under the MFA; and (iii) achieve the purpose of the Credit.
- v. The PFI shall duly perform all its obligations under the MFA, including those referred to in Section 1. H, of Schedule 2 of Financing Agreement of IPFF II Project signed between GoB and IDA (Environmental and Social (E & S) Risk Management). Except as the BB, GoB and IDA shall otherwise agree, the PFI shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the MFA or any provision thereof.
- vi. The PFI shall, at the request of BB, exchange views with BB with regard to the performance of its obligations under the MFA and other matters relating to the purposes of the Credit.
- vii. The PFI shall promptly inform the GoB, BB and IDA of any condition which interferes or threatens to interfere with the accomplishment of the purposes of the Credit or the performance by the PFI of its obligations under the MFA.

- viii. The PFI shall maintain procedures and records adequate to monitor and record the progress of each Subproject (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting and auditing practices the operations and financial condition of the PFI.
- ix. The PFI shall enter into FAA with BB for receiving Facility Loans.
- x. The PFI shall carry out the Project in accordance with the provision of the Anti-Corruption Guidelines.
- xi. Facility Loans shall be disbursed to PFIs against Infrastructure Financing made or to be made by PFIs to finance Subprojects and shall be completed before the closing date of the IPFF II Project.
- xii. BB shall make available Facility Loans in accordance with; inter alia, the provisions of the FAA.
- xiii. The terms and conditions of Facility Loans shall be as set out in this OM and Part C of Schedule 4 of Financing Agreement of IPFF II Project signed between GoB and IDA.
- xiv. The right of PFIs to use the proceeds of Facility Loans shall be suspended or terminated upon the suspension or termination of the related Infrastructure Financing for the relevant Subproject.
- xv. The PFIs to ensure their due diligence with respect to ESRM, including, *inter alia*:
 - (a) internalizing Applicable E & S Requirements, as well as due diligence and monitoring processes for IPFF II and making them an integral part of the PFI's institutional ESMS;
 - (b) ensuring adequate implementation of the ESMS at the PFI's level to enable design, construction, and operation of Subprojects in compliance with relevant GoB's regulations and requirements and the IDA's applicable E & S Requirements, including, inter-alia: developing and maintaining adequate organizational structure, budget, and capacity for identifying, managing, monitoring, and reporting on risks and impacts of Subprojects;
 - (c) ensuring fulfilment by Investment Sponsors of their respective obligations with regard to environmental and social due diligence and monitoring for Subprojects, including formal clearances and timely disclosure of environmental and social instruments for Subprojects (such as ESIAs, ESMPs, ESAPs are completed in accordance with the ESMS and applicable GoB's regulations and requirements;
 - (d) inclusion of adequate provisions in Subproject contract documentation between PFIs and Sponsors to ensure compliance of Subprojects with Applicable E & S Requirements;
 - (e) Disclosure of elements of the PFIs' ESMS and, after review by BB, summaries of the ESIA that is required for any Subproject considered high risk in accordance with the ESMS; and
 - (f) Providing BB, GoB and IDA with annual reporting of environmental and social performance of all Subprojects in accordance with any environmental or social commitments included in ESMPs and ESAPs that have been incorporated in investment contracts with Sponsors.

14. Facility Access Agreement

- i. IPFF II Project Cell of BB shall enter into a FAA with each PFI for each Facility Loan. Except as the GoB, BB and the IDA shall otherwise agree, the terms and conditions of the FAA shall, inter alia, provide that:
- ii. The Facility Loan shall be utilized by the PFI to provide Infrastructure Financing for the purpose of assisting with the financing of a Subproject.
- iii. The PFI shall, unless the GoB, BB and the IDA shall otherwise agree, ensure that Infrastructure Financing will be made in accordance with procedures and on the terms and conditions set forth in this OM.
- iv. In respect of the Facility Loan, the PFI shall comply with all its relevant obligations set out in the MFA.
- v. The PFI shall duly perform all its obligations under the FAA including those referred to in Section 1. H, of Schedule 2 of Financing Agreement of IPFF II Project signed between GoB and IDA (Environmental and Social (E & S) Risk Management). Except as BB, GoB and IDA shall otherwise agree, the PFI shall not take or concur in any action which would have the effect of assigning, amending, abrogating or waiving the FAA or any provision thereof.
- vi. The PFI shall, at the request of BB, exchange views with BB with regard to the performance of its obligations under the FAA and other matters relating to the purposes of the Credit.
- vii. The PFI shall promptly inform BB, the GoB and the IDA of any condition which interferes or threatens to interfere with the accomplishment of the purposes of the Credit or the performance by the PFI of its obligations under the FAA.
- viii. The PFI shall maintain procedures and records adequate to monitor and record the progress of each Subproject (including its cost and the benefits to be derived from it) and to reflect in accordance with consistently maintained sound accounting practices the operations and financial condition of the PFI.
- ix. The PFI shall annually carry out the audit of the Facility Loan under terms of reference satisfactory to the BB.
- x. The Facility Loan shall be disbursed to the PFI against Infrastructure Financing made or to be made by the PFI to help with the financing of a Subproject.
- xi. The terms and conditions of the Facility Loan shall be as set out in this OM.
- xii. The right of the PFI to use the proceeds of the Facility shall be suspended or terminated upon the suspension or termination of the related Infrastructure Financing for the relevant Subproject.

Besides, the following clauses shall also include in the FAA under the section of Special Conditions:

I. The IDA and IPFF II Project Cell requires that the PFI, as well as the sponsor, suppliers, contractors and their agents (whether declared or not), personnel, sub-contractors, sub-consultants, service providers and suppliers, under the World Bank financed contracts, observe the highest standard of ethics during the procurement and execution of such contracts. In pursuit of this policy, the World Bank (a) defines, for the purpose of this provision, the terms set forth below as follows:

- (i) “corrupt practice” is the offering, giving, receiving or soliciting, directly or indirectly, of anything of value to influence improperly the actions of another party;
 - (ii) “fraudulent practice” is any act or omission, including a misrepresentation, that knowingly or recklessly misleads, or attempts to mislead, a party to obtain a financial or other benefit or to avoid an obligation;
 - (iii) “collusive practice” is an arrangement between two or more parties designed to achieve an improper purpose, including to influence improperly the actions of another party;
 - (iv) “coercive practice” is impairing or harming, or threatening to impair or harm, directly or indirectly, any party or the property of the party to influence improperly the actions of a party;
 - (v) “obstructive practice” is (aa) deliberately destroying, falsifying, altering or concealing of evidence material to the investigation or making false statements to investigators in order to materially impede a Bank investigation into allegations of a corrupt, fraudulent, coercive or collusive practice; and /or threatening, harassing or intimidating any party to prevent it from disclosing its knowledge of matters relevant to the investigation or from pursuing the investigation, or (bb) acts intended to materially impede the exercise of the World Bank’s inspection and audit rights.
- (b) The IDA and IPFF II Project Cell will reject a proposal for award if it determines that the investor has, directly or through an agent, engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in competing for the contract in question;
- (c) The IDA and IPFF II Project Cell will cancel the portion of the loan allocated to a contract if it determines at any time that the sponsors, as beneficiary of the facility engaged in corrupt, fraudulent, collusive, or coercive practices during the procurement or the execution of the contract, the World Bank will take appropriate action to remedy the situation;
- (d) The IDA will sanction a firm or an individual, at any time, in accordance with prevailing World Bank’s sanction procedure, including by publicly declaring such firm or individual ineligible, either indefinitely or for a stated period of time: (i) to be awarded a World Bank financed contract; and (ii) to be nominated sub-contractor, consultant, manufacturer or supplier, or service provider of an otherwise eligible firm being awarded a World Bank financed contract.

II. The PFI and the sponsor shall permit the IDA and IPFF II Project Cell to inspect sponsors accounts and records pertaining to debt financing of the plant and to have them audited by auditors appointed by the World Bank, if so required by the World Bank

15. Infrastructure Financing Agreement

The PFI shall enter into an Infrastructure Financing Agreement with each Sponsor to finance the implementation of Investment Projects/Subprojects, under specific terms and conditions corresponding to each type of debt instrument or guarantees, or equity and/or any other financing instrument appropriately developed, assessed and approved; all in accordance with criteria, requirements, and procedures set out in the FAA and OM.

16. Procurement

All goods, works, non-consulting services, and consulting services required for activities under TA of the IPFF II Project shall be procured in accordance with the requirements set forth or referred to in the World Bank's 'Procurement Regulations for Borrowers under Investment Project Financing', dated July 1, 2016 (Procurement Regulations) and the provisions of the Procurement Plan of IPFF II Project. Whereas procurement required for activities related to Subprojects to be funded under IPFF II shall be subject to acceptable commercial practices in accordance with this OM.

16.1 Procurement under Long-Term Infrastructure Financing:

In procuring goods, works and services, public sector entities follow Public Procurement Act (PPA) 2006 and Public Procurement Rules (PPR) 2008. In private sector, there is no such standard guideline that is to be followed in general. Private Sponsors generally procure required items (goods, works, services etc.) through collecting offers/bids based on their necessity. However, in case of IPFF II funding private sector sponsors are expected to have their own procurement policy that is in compliance with the standard commercial practice in the industry. In IPFF II Project a wide variety of sectors are considered for funding under IPFF II facility loan. Therefore, the items required to be procured and the nature of procurement in those sectors will be varied widely. Hence, it would not possible to provide a generalized guideline of standard commercial practices for all the eligible sectors of IPFF II Project. However, a sample standard commercial practice for the procurement of equipment is given below as an example:

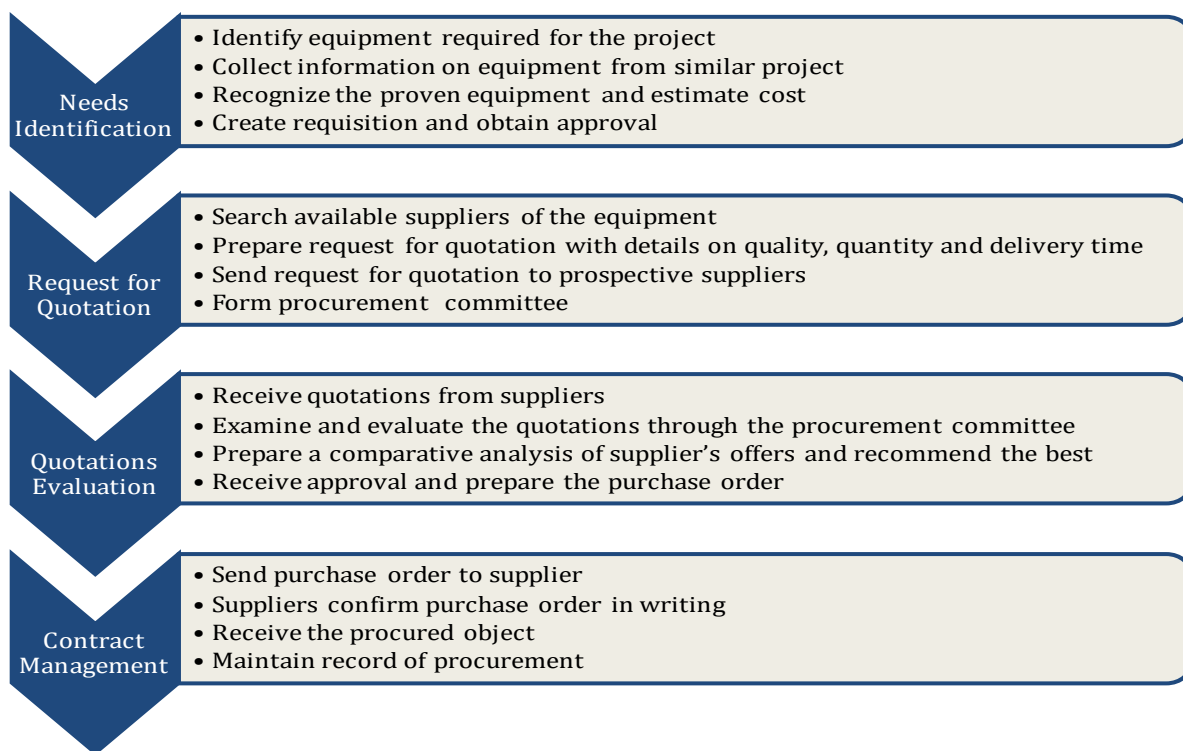


Figure: procurement Process of the Potential Subprojects to be funded under IPFF II Project.

- i. **Needs Identification:** The respective department of an investment sponsor requiring something/a particular object will identify the requirement of it and a purchase requisition is placed accordingly to the head of the respective department. The department in need of the items has to undertake an initial search for availability of the goods and make a price estimate that will be reflected in the standard requisition form. The purchase requisition should incorporate specifications and other information of the required goods along with the estimated price, as collected from the technical experts. After all necessary judgment, the head of the department has to approve the requisition and will forward it to the purchase department within a stipulated time. Before, submitting the requisition, estimated cost of the goods should be checked against the available budget. Afterwards, the purchase department will conduct purchase activities based on purchase requisition submitted by the concerned department. The department will be liable for identifying the items required and preparing the requisition. Whereas, the purchase department will be responsible for preparing request for quotation, placing purchase order, opening of Letter of Credit (L/C), release of goods, customs clearance and conducting other procurement aspects of the company. Besides, purchase department has to keep a master list of the approved suppliers, profile of the suppliers, purchase requisition, material receipt reports and quality check records etc.
- ii. **Preparation of Request for Quotation and Distribution among Suppliers:** After receiving a requisition, the purchase department would determine the procedure and available sources of procurement. The department will have to perform an initial search for existing stocks within the company, call off from existing supply agreements or order from other sources on approval. Based on the outcomes/performance, a list of suppliers needs to be developed to whom the request for quotation of the goods will be provided.



The purchase department will prepare a request for quotation for the items to be procured that will include among other things technical specification, required quantities, delivery schedule and place, payment procedures etc. The request for quotation has to distribute among the selected suppliers by letter,

fax or electronic mail, indicating the last date by which the quotations will be submitted. At this stage the purchase department will also form a procurement committee incorporating members from different departments or other/external sources as required for the procurement.

- iii. **Collection and Evaluation of Quotations:** Whenever a company receives responses against the request for quotation, an assessment of offers has to be conducted for identifying the best evaluated quotation/supplier. The evaluation can be performed depending on several criteria such as proximity to the specification, offered price, delivery time, previous exposure in the field, supplier's performance record etc.



The procurement committee will prepare a comparative analysis statement of the offers and recommend the most appropriate supplier. However, the final selection of the supplier will be determined subject to the approval of head of the company. After receiving approval, purchase department starts to negotiate with the selected supplier on offered price, quality and other different components.

- iv. **Contract Management:** Purchase department is responsible for overall contract management with assistance of finance department. After settling the issues and mutual consent from both sides, purchase department would issue a Purchase Order (PO) in favor of the company/best evaluated supplier providing final price, delivery schedule and place, and standard specification. Thereafter, the supplier would confirm the order issuing an invoice in favor of the company. Purchase department will be responsible for collecting all necessary documents against dispatched goods. The quality check of the received goods also needs to be conducted by the appropriate technical persons. Purchase department will be responsible for collecting all necessary documents against dispatched goods.

Issues in Contract Management:



After receiving the goods, store department would issue Materials Receipt Report (MRR). The weight and quantity check of the goods needs to be performed by the store. In case of any damage, loss or unsuitability, an immediate report has to be sent to the purchase department providing the details. Purchase department will submit MRR along with other necessary documents to head of finance department for releasing the payment.

16.2 Procurement under Technical Assistance:

The procurement activities under IPFF II project would mostly concentrate on hiring consultancy services and procuring some goods including computer hardware and accessories, office equipment, and stationary under its TA Component. The consultancy service procurement would include hiring few firms and some individual consultants.

I. Procurement Objectives:

- i. Ensure that purchased goods, works, non-consultancy services and consultancy services are fit for purpose.
- ii. Keep implementation delays low through appropriately planned and monitored procurement.
- iii. Procure products at competitive market prices.
- iv. Ensure that right quantities of required products, conforming to specified quality levels, are delivered to intended locations in a timely manner.
- v. Protect legitimate business interests of suppliers, contractors, and consultants with a view to creating and maintaining confidence of the market in the purchaser which is necessary in the long-term interests of the purchaser.

II. Procurement Responsibility:

For procurement responsibility, the PIU will be responsible for all procurements under TA component. For the consultancy packages necessary for PPPA and BIFFL, IPFF II Project Cell will delegate

procurement and contract management responsibility to PPPA and BIFFL. However, all such contracts shall be signed by PIU and payment will also be made by PIU. PPPA and BIFFL will provide all necessary technical supports to IPFF II Project Cell through signing Memoranda of Understanding (MoU). They have to ensure the procurement in compliance with applicable regulations and guidelines. For effective procurement management, these two organizations have to carry out the following roles:

- i. Maintain organizational arrangements overseen by the heads of the organizations.
- ii. Provide monitoring reports in connection with procurement to the PIU and IDA in an agreed format.
- iii. Maintain documentation for audit and other purposes as needed by the PIU and IDA.

In all applicable cases, PPPA and BIFFL will seek necessary concurrence from the appropriate authority (BB /IDA/FD/Cabinet Committee on Government Purchase (CCGP etc.) through IPFF II Project Cell. Upon confirmation of receipt of service/goods from PPPA and BIFFL with recommendation to pay bill, the PD will be responsible for payment from the project account.

III. Procurement Risks:

The main drivers to the risks are associated to capacity constraint of the agencies and delay in performing procurement contract management related activities.

IV.Managing Procurement Risks:

In order to minimize the procurement associated risks, the following measures have been agreed upon with IDA (as referred in the PPSD of IPFF II Project).

- (i) PPSD and Procurement Plan: A PPSD has been developed by the IPFF II Project Cell, in agreement with the IDA, taking into account the volume of items to be procured, prevailing market conditions, activity level risks etc. The PPSD spells out the appropriate procurement strategy for this project. PPSD is a live document and it is to be updated at least annually. As an output of the PPSD exercise, initial Procurement Plan has been prepared. For each contract to be financed under the project, the different selection methods for procurement, market approach, contracting arrangement, estimated costs, prior review requirements and time frame were also agreed between IPFF II Project Cell and IDA in the Procurement Plan;
- (ii) Introducing Systematic Tracking of Exchanges in Procurement (STEP) System: STEP is introduced to prepare and manage procurement plan and procurement transactions under the project. The procurement plan will be updated semi-annually (or as required) using STEP system;
- (iii) Bid/Proposal Evaluation Committee: All procuring agencies shall ensure that the bid/proposal evaluation committees are formed in a manner acceptable to the IDA, and IDA's no objection shall be required on the formation, as well as alteration in the composition or membership, of

the bid/proposal evaluation committees. Procurement consultant(s) of the project will be mandatory member(s) of the bid/proposal evaluation committee;

- (iv) Electronic Government Procurement (e-GP): Request for Bids (Open-National) contracts under the project will incrementally use the e-GP system of the country. National e-Government Procurement (e-GP) portal (i.e. <http://eprocure.gov.bd>) of the GoB is developed, owned and being operated by the Central Procurement Technical Unit (CPTU), IMED of Ministry of Planning. The e-GP system provides an on-line platform to carry out the procurement activities by the Public Agencies - Procuring Agencies (PAs) and Procuring Entities (PEs). The e-GP system is a single web portal from where and through which PAs and PEs will be able to perform their procurement related activities using a dedicated secured web based dashboard. The e-GP system is hosted in e-GP Data Center at CPTU, and the e-GP web portal is accessible by the PAs and PEs through internet for their use. This online platform also helps them ensuring equal access to the Bidders/Tenderers and also ensuring efficiency, transparency and accountability in the public procurement process in Bangladesh;
- (v) Procurement Focal Person (PFP): BB shall nominate a procurement focal person. The appointed focal person will take necessary training in procurement, if required. The PFP will help BB in day-to-day procurement follow-up and preparation of periodic procurement reports;
- (vi) Local Procurement Consultant: BB will hire local procurement consultant. The consultant will lead and support all procurement related activities that need to be carried out as part of the preparation and implementation of the Project. The consultant will be a core member of the BB PIU and work closely with the focal persons of procuring agencies, especially BB PIU and all members of the PIU team;
- (vii) Other Due-diligence Measures: The following measures will be adopted as part of procurement and implementation arrangements: (i) all bid evaluation reports will include verification of recommended bidders' post-qualification information; (ii) make bidders generally aware about fraud and corruption issues; (iii) preserve records and all documents regarding procurement (including correspondences with the potential bidders as well as complaints/clarification requests etc.), in accordance with the World Bank's Procurement Regulations and Public Procurement Rules, to facilitate smooth procurement audit or post-review; and (e) publish contract award information on Central CPTU and BB's website (and in United Nations Development Business (UNDB) online for international contracts).

V. Procurement Plan:

For each contract to be financed under the project, the different procurement methods or consultant selection methods, the need for pre-qualification, estimated costs, prior review requirements and time frame were agreed between the implementing agencies and the IDA in the Procurement Plan through

STEP system. All expected major procurements will be announced in the General Procurement Notice (GPN), published in the World Bank external website and UNDB. The procurement plan will be updated at least semi-annually (or as required) using STEP system of the World Bank. The procurement Plan, including its updates, shall include:

- i. A brief description of the activities/contracts;
- ii. The selection methods to be applied;
- iii. Cost estimates;
- iv. Time schedules;
- v. The World Bank's review requirements; and
- vi. Any other relevant procurement information.

VI. Particular Methods of Procurement of Goods, Works and Non-consultancy Services:

Except as otherwise agreed in the Procurement Plan, goods and non-consulting services may be procured on the basis of Request for Bids (Open-International) procurement method. As allowed under the World Bank's 'Procurement Regulations', July 1, 2016, other selection methods, market approach, and contract arrangement as agreed in the Procurement Plan on a case-by-case basis can also be used. Request for Bids (Open-National) [i.e. National Competitive Tender (NCT)], if allowed in the procurement plan will be carried out under the Bank's Procurement Regulations following procedures for Open Tendering Method (OTM) of GoB (PPA, 2006) using standard/model bidding documents satisfactory to the Bank. For the purpose of Request for Bids (Open-National) the following shall apply:

- i. Post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
- ii. Bids should be submitted and opened in public in one location immediately after the deadline for submission;
- iii. Lottery in award of contracts shall not be allowed;
- iv. Bidders' qualification/experience requirement shall be mandatory;
- v. Bids shall not be invited or rejected on the basis of percentage above or below the estimated cost.

VI. Methods of Procurement of Consultants' Services:

The Procurement Plan will specify the selection method, market approach (International/National, Open/Limited/Direct) and contract modality for each of the selection of consultant following the World Bank's "Procurement Regulations – July 1, 2016" or any other method, market approach agreed with the World Bank through the STEP system of the Bank.

VII. Use of Standard Procurement Documents:

For all procurements under the project, the Bank's Standard Procurement Documents shall be used. In case of unavailability of a particular procurement document, the procuring agencies will use Model Tender Documents (MTD) agreed with IDA.

VIII. Prior Review:

The Procurement Plan shall set forth those contracts which shall be subject to IDA's prior review. All other contracts shall be subject to Post Review by the IDA. Initial Procurement plan on prior review thresholds will be updated annually based on the review of the capacity and performance of the procuring entities and will be reflected in the updated procurement plan as appropriate. The prior review thresholds for different types of procurements under the project as per the Procurement Framework are as follows:

Procurement Prior Review Thresholds (USD millions)				
Type of procurement	High risk	Substantial risk	Moderate risk	Low risk
Works (including turnkey, supply & installation of plant and equipment, and PPP)	5	10	15	20
Goods, information technology and non-consulting services	1.5	2	4	6
Consultants: firms	0.5	1	2	4
Consultants: individual	0.2	0.3	0.4	0.5

Notes:

Irrespective of the contract value, the following procurement activities are subject to the World Bank's procurement prior review:

- Procurement processes involving contract negotiations as, described in paragraphs 6.34-6.36 of section VI of the Procurement Regulation for Borrowers;
- Competitive dialogue;
- Sustainable procurement; and
- Best and final offer.

IX. Post Review/Integrated Fiduciary Review:

For compliance with the IDA's procurement procedures, IDA will carry out sample post review of contracts that are below the prior review threshold. Procurement post-reviews will be done on annual basis depending on the number of post-review contracts.

IDA may use a third-party consultant to carry out post reviews. Any such third party shall carry out the reviews in accordance with the Terms of References (ToRs) provided to it by the IDA. Whether procurement is subject to prior or post review is determined on the basis of the project and contract-specific procurement risks. These risks are assessed by the IDA during project preparation. The requirement for a prior or post review shall be specified in the Procurement Plan.

X. Handling Procurement Complaints:

Complaints related to procurement under the TA component will be handled in accordance with Procurement Regulations of the World Bank.

Complaints associated with procurement under on-lending components/ to sub-projects will be handled by the concerned private sponsor.

17. Financial Management

17.1 Accounting Policies and Procedures:

The accounting policies and procedures of IPFF II Project will be governed by the existing Project Accounting Manual of the MoF. All project-related transactions from all sources (IDA and GoB) will be accounted for separately on cash basis following double-entry bookkeeping principles.

17.2 Maintenance of Books of Accounts and Records:

BB will consolidate financial information and enter them into appropriate books of accounts/register and maintain supporting papers. BB and PFIs will preserve all procurement records and documents in accordance with provisions of the PPA 2006, PPR 2008 and the OM of IPFF II Project as applicable. These records will be available on request for audit/investigation/review by the Government and IDA. Furthermore, BB, PPPA, BIFFL and PFIs will retain their respective records of all project-related transactions for 5 years after completion of IPFF II Project or until the audit objections are resolved whichever comes later.

17.3 Accounting and Reporting:

i. Interim Un-audited Financial Report (IUFR):

BB will prepare IUFR and submit it to the IDA no later than 45 days after the end of each calendar quarter. The IUFR will include: (i) sources and uses of funds, (ii) uses of funds by project activity, (iii) designated account reconciliation statement, and (iv) other statements as advised by IDA. Reporting of expenditure under long-term infrastructure financing component in the IUFR will be based on PFIs' disbursement of loans and other financing instruments (e.g. equity or guarantees) to project sponsors. As such BB will accumulate information of utilization towards funding private developers from the PFIs quarterly

ii. Annual Financial Statements:

BB will prepare the project's annual financial statements after the end of a fiscal year as per the prescribed format of Foreign Aided Project Audit Directorate (FAPAD) or Project Accounting Manual and furnish to FAPAD. The annual financial statements include (i) Project Financial Statement; (ii) Designated Account Reconciliation Statement; (iii) Bank Account Information; (iv) Summary of Withdrawal Application (Special Account Replenishment) (v) Summary GoB Contribution and other statements as requested.

17.4 Audit and Financial Control System:

- i. **Internal Audit:** Internal Audit Department of BB may carry out audit of IPFF II Project. Moreover, independent audit firm may be appointed to conduct internal audit of IPFF II Project, if necessary. The observations and recommendations of internal audit will be reviewed and followed up upon receiving the internal audit report.
- ii. **External Audit:** FAPAD will conduct external audit of IPFF II Project within six months after the end of a fiscal year. IPFF II Project Cell will keep in touch with FAPAD to resolve audit observations/objections upon receipt of the external audit report. PD will be responsible for audit follow-up and for taking remedial actions.
- iii. **Project Audit Committee:** To ensure that the observations and recommendations from internal and external audits are reviewed and adequately followed up, a Project Audit Committee (PAC) will be constituted, if necessary. The PSC of IPFF II Project may decide on formation and Terms of Reference (ToR) of the PAC.

17.5 Bank Accounts Management:

For receiving and utilizing IDA fund, a Dollar Special Account (DOSA) will be opened with Forex Reserve & Treasury Management Department (FRTMD) of BB and for receiving and utilizing GoB counterpart fund, a local currency account will be opened with Accounts and Budgeting Department (A&BD) of BB. Furthermore, an operating account (non-interest generating) may be opened with a schedule commercial bank selected by IPFF II Project Cell, if deemed necessary. On the other hand, for receiving the repayment of Facility Loan made by the PFIs and depositing momentarily, two repayment accounts (one in USD and the other in BDT) will be opened and maintained with the FRTMD of BB. The designated PD and in his/her absence an alternative official will be the authorized for operating these accounts. The operation of DOSA will be governed by the directives of FD. On the other hand, the operation of TAKA Account and Operating Account will be governed by applicable rules and procedures. However, policy for transferring the balance with the repayment accounts to government treasury will be formulated by PSC of IPFF II Project or FD of MoF.

The operating account, DOSA & TAKA account, so maintained for the fund management will be closed as per rules with the approval of competent authority at the end of IPFF II Project. On the other hand, repayment accounts will be closed with the approval of competent authority after all Facility Loans are fully repaid by PFIs and repayments are transferred to Government Treasury.

17.6 Fund Management:

Report based disbursement procedures are applicable for withdrawal of IDA funds. As such for eligible expenditures to be financed by IDA, IPFF II Project Cell will submit withdrawal application, in accordance with World Bank's Disbursement Guidelines, to the World Bank based on the forecast for two quarters. IPFF II Project Cell will ensure that project funds routed through the Designated Account is reflected in the GoB accounts as well as in the consolidated FM Report. As for GoB's share of eligible expenditure, IPFF II Project Cell will make necessary arrangements for withdrawal of fund from Chief Accountant's Office (CAO) of FD subject to necessary budget allocation following prevailing procedures. IPFF II Project Cell will apprise FD and Office of CAO regarding the use of IDA and GoB funds complying with the Project Accounting Manual.

The contribution to the Subproject to be made under IPFF II Project (out of IDA and GoB fund) will solely be used in line with the Project Development Objectives. IPFF II Project Cell will ensure that the on-lending fund is routed to the approved private investors through eligible PFIs. The TA fund will be used by IPFF II Project Cell for hiring consultants, procuring goods, arranging training and workshops, and conducting day to day operations as per Technical Assistance Project Proposal (TAPP). All expenses including advance for travel and operating expenses will be paid through banking system. Government's existing rules and procedures outlined in the Project Accounting Manual with respect to authority and payment responsibility as well as prevailing delegation of financial powers will be applicable for using TA fund. However, delegation of financial power will not be applicable during extending any facility to the PFIs against specific Subproject. Rather the rules and procedures outlined in this manual will be applicable for disbursement of on-lending fund.

Upon closure of IPFF II Project, IPFF II Project Cell will refund unspent funds, if any, lying with the DOSA and TAKA Accounts to the IDA and the GoB respectively after documenting all eligible expenditures. In doing so, IPFF II Project Cell will have to get concurrence/approval of MoF and IDA.

18. Monitoring and Reporting

IPFF II Project Cell will monitor the outcomes from the utilization of fund under the facility periodically through the quarterly reports submitted by the PFIs. In addition to the off-site supervision, the IPFF II Project Cell, may conduct surprise onsite inspection of the PFIs and the Subproject to ensure the effective end-use of the fund. Necessary formats of reports will be given to the PFIs for Subproject report. A format of the quarterly reports to be submitted by the PFIs to BB is attached in **Annexure 8**

IPFF II Project Cell will be required to ensure that the PFIs will:

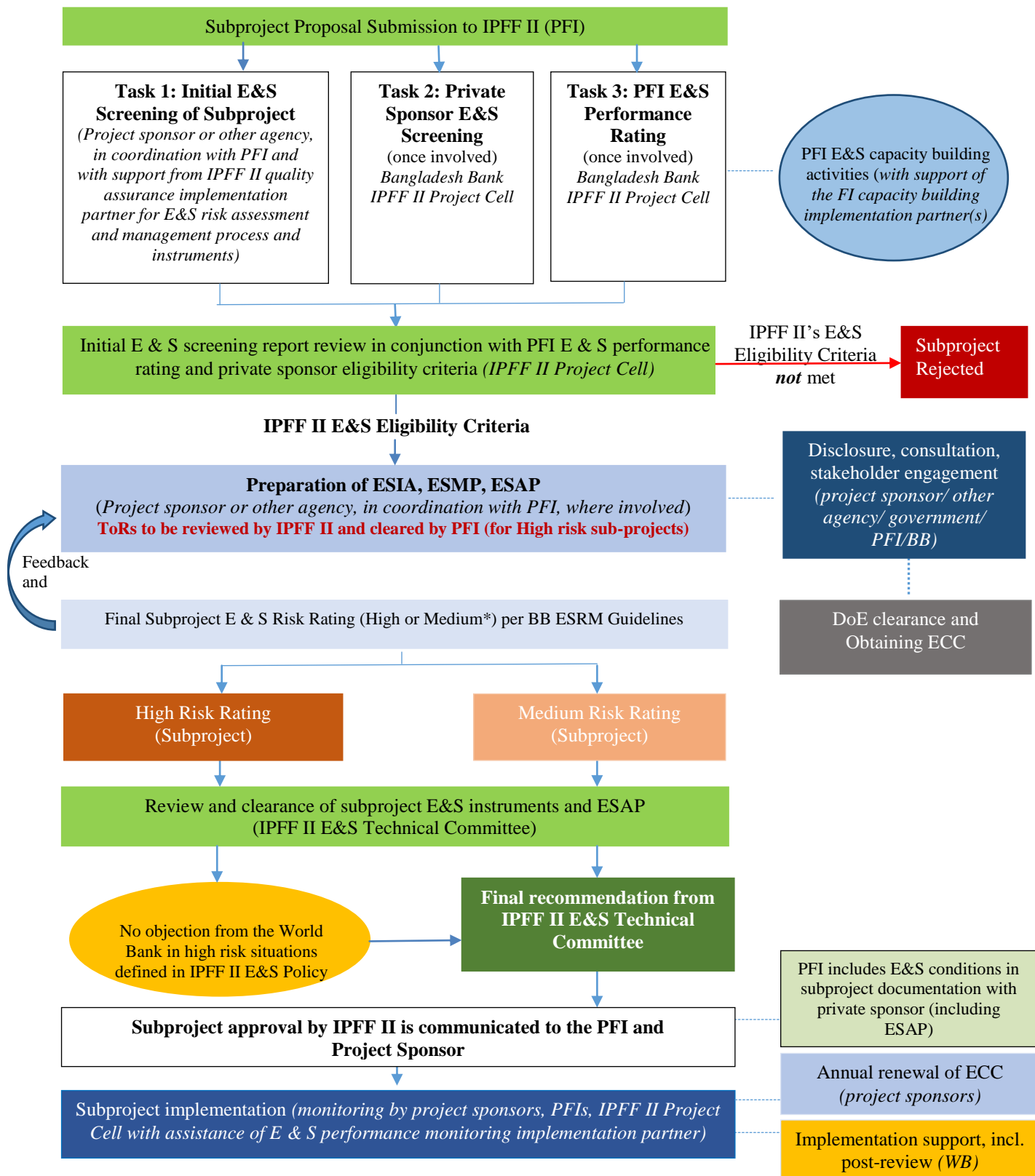
- i. Comply with the reporting and monitoring requirements as prescribed by BB/IPFF II Project Cell/IDA
- ii. Verify the status of investment projects supported under the IPFF by on-site inspection, as required for effective use of resources during and after construction.
- iii. Prepare investment loan portfolio management and progress reports covering outstanding loans under the Credit to be submitted to IPFF II Project Cell and IDA as and when required.

- iv. PFIs will submit annual audit reports to IPFF II Project Cell and IDA within four months of the end of the year.
- v. Each PFI will maintain a separate database system with adequate backups regarding IPFF II facility loans.

19. Environmental and Social Risk Management

- i. **Environmental and Social Management System:** Environmental and social risk management approach for IPFF II is described in IPFF II E & S Policy and Procedures that have been prepared by BB and are expected to evolve over time based on the principle of continuous improvement. BB will work with PFIs to assist them with establishing sound ESMS, to ensure PFIs meet minimum eligibility criteria for accessing IPFF II funding and continue to improve their systems thereafter.
- ii. **Stakeholder Engagement and Grievance Redress Mechanisms:** Grievance redress mechanisms are an integral part of stakeholder engagement process. IPFF II Project will have a multi-level process for addressing grievances from project-affected communities. IPFF II Project Cell and the PFIs will ensure that information about accessing available grievance redress mechanisms at IPFF II Project Cell and PFI levels (as part of the PFIs' ESMS) is made available by project sponsors as part of the overall stakeholder engagement process. These mechanisms are complementary to the Subproject-level grievance mechanisms to be established by project sponsors as part of Performance Standards requirements. Grievance redress mechanism of IPFF II Project has been prepared and attached as **Annexure 10**.
- iii. **E&S Capacity Building:** Following the positive experience of Financial Institutions Development Project (FIDP) and IPFF, capacity building will also be provided under IPFF II Project. The Project's TA component will have allocations for retaining qualified technical, financial, and E & S risk assessment and management expertise to support the build up of capacity and skills across the ecosystem, including the Government authorities responsible for preparation and approval of infrastructure projects, including PPPs; financial institutions involved in financing the projects; and private sector sponsors investing in the projects. IPFF II Project Cell, jointly with other public sector agencies, will organize workshops (with inputs/participation of local and international consultants) on pertinent issues related to infrastructure project finance and implementation. IPFF II Project Cell will also provide opportunities for training abroad or in-country to the PFIs. Detailed E&S capacity building plan is incused in IPFF II E&S Policy and Procedures.

iv. IPFF II Environmental and Social Due Diligence and Supervision Process:



* Note: Low risk rating for IPFF II sub-projects is not allowed per IPFF II E&S Policy

Definitions

1. “Administration Agreement” means an agreement to be entered into between the GoB and BB meeting the requirements of Section I.C, of Schedule 2 and Part A of Schedule 4 to the Financing Agreement, as the same may be amended from time to time, and such term includes any schedules to such Administration Agreement.
2. “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.
3. “Applicable Environmental and Social Requirements” means the technical requirements applied to Subprojects and which are comprised of: (i) relevant environmental and social national and local laws and regulations of the People’s Republic of Bangladesh; (ii) List of Excluded Activities, based on the Exclusion List (Annexure 2), (iii) List of Environmentally and Socially Sensitive Activities (Annexure 3), and (iv) the World Bank Performance Standards.
4. “Bangladesh Bank” means the bank called the Bangladesh Bank established by the GoB’s Bangladesh Bank Order, 1972 (President’s Order No. 127 of 1972), including the amendments made thereto with Bangladesh Bank (Amendment) Act, 2003, for the purpose of carrying out the business of central banking.
5. “Bangladesh Infrastructure Finance Fund Limited” and “BIFFL” means the GoB’s Bangladesh Infrastructure Finance Fund Limited, a fund established as a government-owned non-banking financial institution on March 21, 2011 with the purpose of making investments in infrastructure projects across different infrastructure sectors.
6. “DoE” means the GoB’s Department of Environment or any successor thereto.
7. “Environmental and Social Management System” and “ESMS” means the systematic process for identifying, assessing and managing environmental and social risks and impacts associated with activities under the Project and managing exposure to such risks and impacts by BB and PFIs in a manner that enables the Subprojects to meet Applicable Environmental and Social Requirements; which systematic process contains the following core elements: (i) IPFF II Environmental and Social Policy and Procedures prepared and amended by BB from time to time; (ii) a customized ESMS prepared and implemented at the PFI’s level; and (iii) Environmental and Social Assessment and Management Systems implemented by Investment Sponsors in accordance with the relevant regulations of BB and Applicable Environmental and Social Requirements for IPFF II. Adequate implementation of the ESMS means that BB, PFIs, and Sponsors develop and maintain adequate policies, procedures, organizational structure, budget, and capacity for identifying, managing, monitoring, and reporting on risks and impacts of Subprojects.
8. “ESIA” means the Environmental and Social Impact Assessment to be prepared in accordance with the provisions of the ESMS and pursuant to the GoB’s requirements and World Bank Performance Standards. The Sponsors assume the responsibility for carrying out the ESIA for the Subproject for

which financing will be sought from the PFI from the proceeds of the Credit; such ESIA must include ESMPs as commensurate with the outcomes of the environmental and social risks and impacts identification process for the Subproject, and an ESAP as needed.

9. “ESMPs” means, collectively, the Environmental and Social Management Plans, prepared and to be prepared in accordance with the ESMS and pursuant to the requirements of the World Bank Performance Standards, providing for detailed measures to mitigate adverse environmental and social risks and impact of Investment Projects/Subprojects.
10. “ESAP” means, collectively, the Environmental and Social Action Plan (or, Action Plan) to be prepared by Investment Sponsors included in the contract documentation between such Investment Sponsor and the PFI in relation to a Subproject, which said Action Plan shall include, *inter-alia*: (i) description of the necessary actions to implement mitigation measures or corrective actions to be undertaken; (ii) prioritization of said actions; (iii) timeline for actions’ implementation; (iv) disclosure to the affected communities; and (v) schedule and mechanism for external reporting on the Action Plan’s implementation.
11. “Facility” or “Investment Promotion and Financing Facility II” or “IPFF II” means the facility to be created within BB following approval of IPFF II Project for the purposes of providing Facility Loans to PFIs to be utilized for financing infrastructure Investment Projects/Subprojects through the provision of Infrastructure Financing.
12. “Facility Access Agreement” or “FAA” means each agreement to be entered into between BB and each PFI setting out the terms and conditions of the Facility Loan to be made to such PFI in accordance with the requirements of the Operations Manual and Part C of Schedule 4 to the FA of IPFF II Project.
13. “Facility Loan” means any loan provided by BB to PFIs under FAA for the purpose of providing Infrastructure Financing.
14. “Fiscal Year” means the GoB’s Fiscal Year commencing on July 1 and ending on June 30 of the following year.
15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of the Appendix of FA of IPFF II Project
16. “Investment Sponsor” means a private enterprise or an enterprise in which private shareholders have majority ownership, and to which a PFI proposes to make or has made an Infrastructure Financing.
17. “Infrastructure Financing” means either: loans, **or** guarantees, **or** equity and/or any other financing instrument appropriately developed, assessed and approved and made available by a PFI out of the proceeds of the Facility for financing Subprojects, each in accordance with criteria, requirements, and procedures set out in the OM.

18. “Infrastructure Financing Agreement” means each agreement entered into between a PFI and an Investment Sponsor setting out the terms and conditions of the Infrastructure Financing and meeting the requirements of Part D of Schedule 4 of the FA of IPFF II Project
19. “Investment Project” or “Subproject” means a specific Investment Project in the infrastructure sector to be carried out by an Investment Sponsor utilizing the proceeds of an Infrastructure Financing.
20. “Master Facility Agreement” means each agreement entered into between BB and a PFI setting out the terms and conditions of the Facility Loans and meeting the requirements of Part B of Schedule 4 to the FA.
21. “Operating Costs” means the reasonable costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, office supplies, utilities, consumables, communication expenses, translation, printing, photocopying and postal expenses, bank charges, advertising expenses, insurance, costs of clearing, forwarding, inspection, survey and transportation of goods, Project-related meeting expenses, and Project-related travel, providing that payment is made using the banking system; excluding salaries, allowances and honorarium of officials of the GoB’s civil service and/or other honorarium of any other nature, per diem, and fuel.
22. “Operations Manual” means the manual, , acceptable to the IDA and referred to in paragraph B(a) of Section I of Schedule 2 to the Financing Agreement, setting forth implementation, organizational, administrative, monitoring and evaluation, financial management, disbursement, and procurement arrangements for purposes of implementation of the Project, and the criteria and requirements for Subprojects and PFIs, and the terms and conditions for Facility Loans and Infrastructure Financing, as said manual may be revised from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such manual.
23. “PFI” and “Participating Financial Institution” mean a Non-Bank Financial Institution and/or a private sector scheduled Commercial Bank that meets the eligibility criteria for participating in the Project as set out in the Operations Manual.
24. “PPP” means public-private partnerships.
25. “PPPA” means the GoB’s Public-Private Partnership Authority or any successor thereto.
26. “Procurement Plan” means the GoB’s procurement plan for the Project, dated March 4, 2017 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with IDA.
27. “Procurement Regulations” means the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, dated July 1, 2016.
28. “Training” means the reasonable costs required for the participation of personnel involved in training activities, workshops and study tours under the Project which have been approved by the IDA in writing , including: (a) travel, hotel, and subsistence costs for training, workshop and study tour participants provided that such allowances are paid directly to the eligible recipient using the

banking system; (b) costs associated with rental of training and workshop facilities, preparation and reproduction of training and workshop materials, costs of academic degree studies, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding salaries of civil servants and honorarium of any other nature.

29. “World Bank Performance Standards” mean the eight IFC Performance Standards that have been adopted by the World Bank as the World Bank Performance Standards for Projects Supported by the Private Sector for application to World Bank support for projects (or components thereof) that are designed, owned, constructed and/or operated by a private entity, in lieu of the World Bank’s safeguard policies.

Eligibility Criteria for Enlistment as PFI

Notes:

1. An application for joining IPFF II Project should include the following documents:
 - Full set of worked-out criteria based on the latest year-end / half-yearly audited accounts
 - Detail workings in support of the results such as calculations, schedules, etc.
 - Other documents as specified below.
2. The workings have to be certified by the auditors.
3. Accounts should be completed using acceptable accounting standards (IFRS).
4. To determine eligibility of PFIs under IPFF II, IPFF II Project Cell will consider the totality of the eligibility criteria in a manner that will establish acceptable quality of
 - a) Management, b) Profitable and Sustainable Operations, c) Appropriate Capacity (including Staffing for carrying out Subproject Appraisal with Environmental Assessment and for Supervising Subproject Implementation). Under special circumstances post-funding monitoring may be done, d) Capacity to Mobilize Domestic Resources, e) Appropriate Prudential Policies, Administrative Structure and Business Procedures, and g) Sound Financial Position.
5. Temporary non-compliance of any of the eligibility criteria by a PFI shall be reviewed by IPFF II Project Cell and time-bound waivers may be considered in consultation with IDA, in exceptional cases only.

Criterion 1: Compliance with licensing requirements of Bangladesh Bank and other relevant regulators

PFIs must hold a valid license from BB to operate as a private sector scheduled commercial bank or NBF. In case of institutions also operating as a merchant bank, must have a valid license from Security Exchange Commission (SEC).

Please include company details such as -

- Date of incorporation
- Date of receiving License from BB / other regulatory bodies
- Date of commencement of business
- Legal status (Private / Public)
- Date of Initial Public Offering (IPO) (if issued)
- Date of listing on stock exchanges (Dhaka Stock exchange and Chittagong Stock Exchange)
- List of directors along with shareholdings

Criterion 2: Adequacy of provisions

PFIs must meet the provisions requirement as instructed by BB.

Noted Points:

- The PFI has to compare the amount of provision required by BB regulations and the amount of provision made by the PFI.
- The PFI has to show the breakdown of the above two amounts, that is, how they were calculated.

- The portfolio amount, on which the provision calculations are based, should be consistent with the portfolio amount used elsewhere. If there is a difference among the portfolio figures used in another criterion, explanation and supporting calculations should be provided.

Portfolio Calculation:

The total portfolio amount should include the following (if applicable) –

- Lease receivables (including the current portion and not net of provision amount)
- Term finance (including the current portion and not net of provision amount)
- Short-term finances
- Equity investments
- Receivables against bill discounting
- Advances against lease finance and term finance
- Others

Criterion 3: *Positive rate of real return*

PFI must have a positive rate of real return which will be calculated as following:

$$\frac{(\text{net earnings after tax for the period} / \text{average stockholders' equity}) \times 100}{1 + \text{the inflation rate [in decimal form]}}$$

Noted Points:

- The average stockholders' equity calculation should exclude any dividend amount paid or proposed to be paid within 6 months of year-end.
- This criterion needs to show the real rate of return. The year-end inflation rate to be used is provided in BB publications, such as Economic Trend.

Criterion 4: *Capital adequacy ratio*

PFI must meet the minimum regulatory capital adequacy requirement as instructed by BB. PFI must show the detailed calculation of risk-weighted assets and breakdown of total capital.

Criterion 5: *Leverage ratio*

PFI must meet the minimum leverage ratio as instructed by BB. Leverage ratio will be calculated as

$$\frac{\text{Tier 1 Capital (after related deduction)}}{\text{Total Exposure (after related deduction)}}$$

Criterion 6: *Foreign currency net open position*

PFI dealing in foreign currency must meet regulatory requirement on foreign currency net open position as instructed by BB.

Criterion 7: *Non-performing loan (NPL) ratio*

PFI must have an acceptable level of non-performing loan not more than 10 % (ten percent).

Criterion 8: *Single or Business group borrower exposure*

PFI must meet single or business group borrower exposure limit as per BB regulation.

Noted Points:

- The PFI would have to provide the top-ten list of exposures.
- Exposure is defined to include both on and off-balance sheet exposure.
- The definition of Single or Business Group shall be consistent with BB regulations

Criterion 9: *Insider lending ratio*

PFI must meet minimum insider lending ratio as instructed by BB.

Noted Points:

- The auditors will have to certify that BB definition of ‘insider lending’ has been followed.
- The PFI will provide the list of clients under ‘insider lending’.
 - The PFI would have to confirm that the loans / leases are on a standard commercial basis. This means they are not on concessionary terms e.g. in relation to interest rates, fees, tenors, amortization & repayment, collateral requirements, etc. If the loans / leases are not on a standard commercial basis, the FI would have to specify the concessionary terms and explain the reason.

Criterion 10: *External credit rating*

PFI must have minimum external credit rating of BB Rating Grade 3 or equivalent rating by external credit assessment institutions (ECAIs) recognized by BB

Criterion 11: *Three years’ financial accounts with clean auditor’s opinion without implied / hidden qualifications*

“Hidden or implicit” qualifications are comments in the notes to the financial statements, which are material and would have a significantly adverse impact on the financial performance and or financial position, if fully considered, but are not explicitly mentioned in the official opinion of the auditors.

Criterion 12: *Policy documents to establish professional and sound management*

- i. PFI must have adequate policies and procedures related to core risk management as prescribed by BB. They must ensure the compliance and submit the documents as asked by IPFF II.
- ii. PFI must have qualified and experienced management, adequate organization and institutional capacity for its specific risk profile. They must comment on appropriate capacity, including

staffing, for carrying out appraisal (including environmental and social assessment) of infrastructure financing/loans to sponsors and for supervising implementation thereof.

- iii. PFIs must inform an incident of misconduct or reputational crisis, if any, in written form.

Criterion 13: *Environmental and social risk management (ESRM) requirement*

PFIs shall have adequate systems and capacity for environmental and social risk management in accordance with Bangladesh regulations and World Bank⁵ Performance Standards. Based on the E&S systems and capacity assessment, as conducted by BB, PFIs shall meet the following minimum eligibility criteria in order to be considered for financing under IPFF II (these shall be in place before disbursement of financing by BB): PFIs must meet the following requirements:

- i. Written E& S policy and procedures are in place and approved by the PFI's senior management.
- ii. PFI designates staff with clearly defined responsibilities for E&S risk management.
- iii. PFI expresses commitment to taking part in E&S training and capacity building activities of BB.
- iv. PFI has read and understood the ESPP document for IPFF II and demonstrates willingness to comply with it.

Criterion 14: *Annual external auditors' certification as to compliance with quantitative eligibility criteria*

PFIs must submit their eligibility assessment based on the current year-end accounts every year within the period specified by IPFF II Project Cell.

⁵ Environmental and Social Performance Standards refer to the "World Bank Performance Standards", which are IFC Performance Standards on Environmental and Social Sustainability adopted as the "World Bank Performance Standards" in 2013 pursuant WB Operational Policy 4.03. IFC Performance Standards were first introduced in 2006 and updated in 2012.

Exclusion List

The Project shall not fund any of the following activities:

- Production or trade in any product or activity deemed illegal under host country laws or regulations or international conventions and agreements, or subject to international bans, such as pharmaceuticals, pesticides/herbicides, ozone depleting substances, PCBs, wildlife or products regulated under CITES.
- Production or trade in weapons and munitions.¹
- Production or trade in alcoholic beverages (excluding beer and wine).¹
- Production or trade in tobacco.¹
- Gambling, casinos and equivalent enterprises.¹
- Production or trade in radioactive materials. This does not apply to the purchase of medical equipment, quality control (measurement) equipment and any equipment where the Association considers the radioactive source to be trivial and/or adequately shielded.
- Production or trade in un-bonded asbestos fibers. This does not apply to purchase and use of bonded asbestos cement sheeting where the asbestos content is less than 20%.
- Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
- Any activities involving international waterway (as defined in the Association's Operational Policy 7.50), or disputed territories (as defined in the Association's Operational Policy 7.60)

A reasonableness test will be applied when the activities of the project company would have a significant development impact but circumstances of the country require adjustment to the Exclusion List.

All PFIs, except those engaged in activities specified below, must apply the following exclusions, in addition to the above described Exclusion List:

- Production or activities involving harmful or exploitative forms of forced labor²/harmful child labor.³
- Commercial logging operations for use in primary tropical moist forest.
- Production or trade in wood or other forestry products other than from sustainably managed forests.

Footnotes:

¹This does not apply to Investment Sponsors who are not substantially involved in these activities. "Not substantially involved" means that the activity concerned is ancillary to an Investment Sponsor's primary operations.

²Forced labor means all work or service, not voluntarily performed, that is extracted from an individual under threat of force or penalty.

³Harmful child labor means the employment of children that is economically exploitive, or is likely to be hazardous to, or to interfere with, the child's education, or to be harmful to the child's health, or physical, mental, spiritual, moral, or social development.

List of Environmentally and Socially Sensitive Activities

PFI's will not be permitted to finance Subprojects associated with activities listed in (a)-(d) below where they, following an assessment process of the PFI's systems and capacity for environmental and social risk management conducted by Bangladesh Bank, have been found to lack adequate capacity to assess, manage, and monitor environmental and social risks associated with Subprojects for which financing will be sought from the PFI from the proceeds of the Credit.

- (a) Activities involving large-scale physical and/ or economic displacement¹ resulting from land-related transactions²
- (b) Activities in or near critical habitats³ and /or legally protected areas.
- (c) Activities involving adverse impacts on tribes minor races, ethnic sects and communities.⁴
- (d) Activities involving significant adverse impacts on critical cultural heritage⁵ areas.

Footnotes:

¹ In the context of this project, activities involving large-scale physical and/or economic displacement are those that are expected to affect 200 people or more.

² As defined in the Performance Standard 5 (paragraph 5).

³ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitats of significant importance for required for critically endangered or endangered species as defined by the IUCN Red List of Threatened Species; habitats of significant importance for endemic or restricted-range species; habitats supporting globally significant concentrations of migratory species and /or congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes. Primary Forests or forests of High Conservation Value shall be considered Critical Habitats.

⁴ The term "tribes minor races, ethnic sects and communities" is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- Self-identification as members of a distinct cultural group and recognition of this identity by others;
- Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or
- A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

⁵ Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

Loan Application for Availing Facility Loan

1. Name and address of the lead/lone PFI with contact person: -----
2. Name of the contact person with phone number: -----
3. Name and address of other syndication members:
 - i. -----
 - ii. -----
 - iii. -----

Section A: Particulars of the Infrastructure Project

4. Name of the infrastructure project: -----
5. Sector: -----
6. Location of plant/ site of the project: -----
7. Name of the ministry/division/ executive agency of GoB/regulator: -----
8. Letter of intent/ license issue date: -----
9. Concession and other relevant agreements signing date: -----
10. Description of the project:
 - i. Rated capacity of the plant or maximum capacity of the project: -----
 - ii. Budgeted (expected utilization) capacity (in percent): -----
 - iii. Break even capacity (in percent): -----
 - iv. Expected economic life of the project: -----
 - v. Purpose of the loan: -----
 - vi. Provide a brief description of the project and its development history: -----
11. Attached a copy of the agreement, *if any*, between the PFI and the investment sponsor: -----
12. If the loan already sanctioned to the investment enterprise/Subproject, please provide a copy of sanction letter of the PFI. Approved the loan by i) MD/CEO, ii) Board iii) Credit Committee or iv) others: -----

13. Required financial closure deadline: -----
14. Required commercial operations date: -----
15. Provide a breakdown of the project cost:

Cost Components	Amount in Million (in BDT or USD)	In Percent
Total fixed cost of the project		
Initial working capital		
Total cost of the project		

Assessment of working capital required should be attached.

16. Description of land of the subproject

- i. Where applicable, if land of the project is owned or leased or rented or held otherwise by the Investment enterprise and provide evidence: -----
- ii. Where the project/ the investment enterprise owns the land and building: Valuation of land and building assessed by: Credit risk manager / Credit officer of PFI/ Enlisted surveyor of PFI: -----

Please mention and attach copy of the assessment report.

- iii. Where land and building, if any, of the project is leased or rented, is there any covenant in the lease agreement for premature or short notice termination of the agreement: Yes/ No -----

If Yes, please mention the condition(s) below: -----

17. If any security/ collateral taken from the Investment Sponsor or the promoters: Yes/ No-----

If Yes, i. Description of the collateral: -----

ii. Realizable market value: BDT (in million) -----

iii. Value assessed by PFI's Credit Risk Manager/ Officer/ Enlisted surveyor: BDT (in million) -

Section B: Particulars of the Investment Sponsor⁶

18. Name of the investment sponsor: -----

⁶ Investment Sponsor means a private enterprise or an enterprise in which private shareholders have majority ownership, and to which a PFI proposes to make or has made an Infrastructure Financing.

Description of investment sponsor's business-----

Address, telephone, fax and e-mail of the main office: -----

19. Address, telephone, fax and e-mail of registered office -----

20. Mailing address: -----

21. Name and address of company secretary: -----

22. Date of incorporation: -----

23. Please enter the shareholding and management structure of the investment sponsor in the table below:

(a) Board of Directors/Partners/Sole proprietor					
Name & address	Age	Nationality	% Ownership	Position in the Company	Personal net worth (million BDT/USD)

(b) Management				
Name	Position	Numbers of years with the company	Year started in position	Previous employers & with years (if present position is less than 3 years)

24. Please provide the names and specimen signatures of two representatives (one authorized and one alternate) authorized to deal on behalf of the investment sponsor with IPFF II Project with respect to this facility:

Name	Position	Signature
1		
2		

Section C: Particulars of the Promoters⁷

25. Name of the promoters : -----

Please provide a brief description of the nature of the promoters' business: -----

⁷The Promoter may be a proprietor, partnership or a company or a joint venture, who applied to the government for award of the project and to whom the LOI has been awarded.

26. Please provide name and address including telephone and e-mail of auditors appointed/to be appointed by the promoters: -----

Is there any legal action pending for or against any of the promoters/directors, officers or directors of any of affiliates of the investment promoters: Yes / No -----

a. If yes, please describe below in detail: -----

b. Please provide opinion of PFI's lawyer/legal advisor on any possible legal risk that may arise out of the pending legal proceedings and the likely bearing on the business of the promoters:

27. Particulars of all affiliated companies:

BDT (in million)

Company Name	Year Established	Nature of Business	Nature of Affiliation	Sales	Net Worth	Return on Investment (percent)	Banker(s)	Total outstanding Loans and Advances	Total Classified Loan	Classified Loan in percent
1	2	3	4	5	6	7	8	9	10	11=10/9x100

28. Is credit information bureau (CIB) report of the investment sponsor and its group members clean: Yes/ No -----

If Yes, please enter print date and provide a copy of the CIB Report: -----

Section D: Financing Plan

29. Equity participation by all the sponsors:

Name of the sponsors	Amount in million (BDT or USD)
1	
2.	
Total	

30. List the amount to be financed by the PFI and other lenders:

Name of the PFI or other Lenders	Loan Type	Interest Rate	Tenure	Grace Period	Amount in million (BDT or USD)	Status (approved / under process)
IPFF II Facility						
Sub Total						
Non-IPFF part						

Sub Total						
Grand total						

31. Amount of facility loan (loan requested from IPFF II) : -----

32. Particulars of facility loan (loan from IPFF II):

a. Indicative schedule of loan disbursements required from IPFF II and PFIs:

Milestone	Date	Amount	Source

b. Indicative schedule of loan repayment dates (IPFF II to PFI and PFI to Sponsors):

Date	Amount

Section E: Feasibility of the Project:

33. Ratio analysis: Provide a copy of financial modelling of the investment project:

(The ratios should be calculated taking into account total loans including IPFF II loan facility requested for)

		Industry Average*	YR-2	YR-4	YR-6	YR-8	YR-10	YR-12	YR-15
Liquidity Ratios									
	Current ratio	2:1							
	Quick ratio	1:1							
Leverage Ratios									
	Debt Equity Ratio	75:25							
	Debt Service Coverage Ratio(DSCR)	1.2~1.6							
	Interest Coverage Ratio	Greater than 1							
Profitability Ratios									
	Gross Profit Margin								
	Net Profit Margin								
	Operating ratio								
	Return on Asset Ratio	Greater than cost of fund**							

	Return on equity Ratio	Greater than cost of Equity***							
Activity Ratios									
	Total Asset Turnover Ratio								
	Fixed Asset Turnover Ratio								

*Averages mentioned are usual and indicative and vary from Industry to Industry.

**Cost of fund= Weighted cost of equity and borrowed fund.

***Cost of Equity= Opportunity cost of equity.

34. Cost of fund:

Year 2	Year 4	Year 6	Year 8	Year 10	Year 12	Year 15

Please also furnish the following activity ratios, if the condition stated there against holds good:

Condition		Industry average	YR-2	YR-4	YR-6	YR-8	YR-10	YR-12	YR-15
When sales not captive and/or payment not guaranteed	Average Collection Period (days)								
When supply of fuel, raw material etc not captive and/or payment not guaranteed	Average payment Period (days)								

35. Loan life coverage ratio (LLCR):

(NPV of available cash for debt service up to the maturity of the loan divided by principal outstanding)	Year-2	Year-4	Year-6	Year-8	Year-10	Year-12	Year-15

36. Cash flow analysis:

Pay Back Period of the project (number of years)	
Internal Rate of Return(IRR)	

37. Risk factors:

Please tick if YES or NO for the followings:	YES	NO	N/A (Please mention Why Not Applicable)
a. If spare parts guaranteed			
b. If technical know how provided or guaranteed			
c. If uninterrupted supply of raw material guaranteed			
d. If uninterrupted supply of fuel and power guaranteed			
e. If sales captive or guaranteed			
f. Is the management experienced in similar business			

38. Technical viability of site of the plant/ project:

Please tick Yes or No if site of the project is viable in respect of the followings:	Yes	No	N/A (Please mention Why Not Applicable)
a. Proximity of supplies (raw material, fuel, power, spare parts, technical know how etc)			
b. Proximity of customers/market			
c. Availability of local and associated infrastructure, including utilities, transportation, communication and off take capabilities.			
d. Availability of access rights, local consent, license etc			
e. Suitability of ground and local climate conditions			
f. Availability of local technical and suitable management staff and skilled labor for operation.			
g. Availability of local equipment, material, spare parts and sub contractors for construction.			
h. Minimizing cost of land, construction and operations			
i. Scope for setting out of the works and expansion			
j. If located above flood level			

If site of the project is not viable in respect of any of the above factors, please mention below how the problem will be mitigated -----

39. Provide the project appraisal report and/or information memorandum(IM) prepared by the PFI: ----

40. Provide a copy of feasibility study report by ministry/division/investment sponsor: -----

Section F: Procurement Aspects

41. Provide a copy of best/standard commercial practices for procurement activities undertaken by the subprojects as per OM of IPFF II Project

42. Tick the method of selection of the promoter : Whether:

- ☐ The executing agency selected the promoter competitively following international competitive bidding (ICB)
- ☐ The executing agency selected the promoter through competitive bidding other than ICB
- ☐ Selection of the promoter through competition is not possible, e.g. expansion by an existing concessionaire or captive power plants
- ☐ Selection of the promoter, not through public tender (no concession), but through an open licensing process

For projects awarded on the basis of competition, **please** provide:

1. A copy of the advertisement for expressions of interest in the project
2. A copy of the request for proposal (RFP)

3. A copy of the proposal submitted by the Company which was the basis for selection and issuance of the Letter of Intent
 4. Other relevant information
43. Please provide the plan of procurement of major plant and equipment by the promoter⁸. In case of existing plant, please provide the name and process of major equipments procurement including documents:

Name of the machine	Country of Origin	Model	Number of Machines	Total Rated Capacity	Value in Million BDT

Section G: Environmental and Social Compliance

44. IPFF II requires that the project:

- i. be screened for potential environmental and social impacts
- ii. meet national environmental, labor, and social requirements
- iii. avoid any excluded activities
- iv. comply with World Bank Performance Standards⁹

45. Please enter the current phase and progress of development of the project in the table:

Phase	Percentage Accomplished
Preconstruction	
Construction	
Operation	

46. Environmental and Social Risk Rating

- a. Please indicate the environmental category of the project as per Department of Environment (DoE): Green/Orange A/Orange B/ Red:_____
- b. Date DoE category was assigned : _____
- c. Please indicate E&S risk rating as per Bangladesh Bank ESRM Guidelines and IPFF II E&S Policy (on the basis of E&S risk screening or ESIA, as available):
 High Risk ☐
 Medium Risk ☐

⁸including L/Cs, if any

⁹Environmental and Social Performance Standards refer to the “World Bank Performance Standards”, which are IFC Performance Standards on Environmental and Social Sustainability adopted as the “World Bank Performance Standards” in 2013 pursuant WB Operational Policy 4.03. IFC Performance Standards were first introduced in 2006 and updated in 2012.

47. Excluded and restricted activities

- a.** Please indicate whether any activities on the List of Excluded Activities are present: Yes/ No
- b.** Please indicate if any activities on the Bangladesh Bank ESRM Guidelines Exclusion List are present: Yes/ No
- c.** Please indicate if any activities on the List of Environmentally and Socially Sensitive activities are present.

48. Core E&S risk management requirements

- a.** Please mention below key requirements placed on the project by the executing agency/regulator for compliance with requirements of DoE

- b.** If ESIA/EIA is prepared, it is in compliance with the requirements of both the DoE and the World Bank's Performance Standards: YES /NO
- c.** If resettlement/ economic displacement is involved, please describe current/ past process (responsible agency, plans prepared, number of affected persons, timeline etc.)

- d.** If there are impacts on tribes minor races, ethnic sects and communities,¹⁰ please describe any government process to date _____

- e.** If impacts on critical habitats¹¹ are expected, please describe any measures already taken by the Sponsor to avoid or minimize them (e.g. though adjusting project design)_____
- f.** If there are impacts on critical cultural heritage,¹² please describe their nature and any measures already undertaken to avoid or minimize them_____

¹⁰ The term "tribes minor races, ethnic sects and communities" is used in a generic sense to refer to a distinct social and cultural group possessing the following characteristics in varying degrees:

- Self-identification as members of a distinct cultural group and recognition of this identity by others;
- Collective attachment to geographically distinct habitats or ancestral territories in the project area and to the natural resources in these habitats and territories;
- Customary cultural, economic, social, or political institutions that are separate from those of the mainstream society or culture; or
- A distinct language or dialect, often different from the official language or languages of the country or region in which they reside.

¹¹ Critical habitat is a subset of both natural and modified habitat that deserves particular attention. Critical habitat includes areas with high biodiversity value that meet the criteria of the World Conservation Union (IUCN) classification, including habitats of significant importance for required for critically endangered or endangered species as defined by the IUCN Red List of Threatened Species; habitats of significant importance for endemic or restricted-range species; habitats supporting globally significant concentrations of migratory species and /or congregatory species; areas with unique assemblages of species or which are associated with key evolutionary processes. Primary Forests or forests of High Conservation Value shall be considered Critical Habitats.

g. Documents to be submitted:

- Date of Environmental and Social Impact Assessment or Environmental and Social Audit, as available (please attach) _____
- Please furnish a copy of SCC/ESIA/ECC, if obtained from DOE
- List E&S risk management plans available from Investment Sponsor _____
- Resettlement Action Plan (if applicable) _____
- Please furnish Environmental and Social Action Plan (ESAP) prepared by the financial institution and agreed with the Investment Sponsor to ensure compliance with World Bank Performance Standards

49. Environmental and Social Management System (ESMS)

- a. IPFF II requires that PFIs shall meet the following minimum eligibility criteria in order to be considered for financing under IPFF II (these shall be in place before disbursement of financing by BB):

	Minimum ESRM Eligibility Criteria	Remarks (Yes/No)
1	Written E&S policy and procedures are in place and approved by the PFI's CEO/MD/ Board of Directors	
2	PFI designates staff with clearly defined responsibilities for E&S risk management senior management are in place	
3	PFI expression commitment to taking part in E&S training and capacity building activities of BB	

- b. Please state if the financial institution has an E&S policy approved by senior management (is yes, attach a copy)
- c. Please indicate if there is staff formally responsible for E&S risk management
- d. Please describe E&S monitoring arrangements for the investment
- e. Current E&S performance rating as per IPFF II E&S Policy (if one is assigned) _____

50. DoE Clearance to be obtained depending on the category of the project is given below:

Please tick YES or NO and, if NO, enter the expected date of delivery for the applicable category only

Category of the Project	DoE Certificate Obtained or Not	YES	NO	If 'NO', expected date of receiving Certificate
Green	Environmental Clearance Certificate (ECC)			
Orange-A/ Orange-B	Site Clearance Certificate (SCC)			
	ECC			
Red	SCC			
	Approval of TOR for EIA/ESIA			
	Approval of EIA/ESIA			
	ECC			

^{12 5} Critical cultural heritage consists of (i) the internationally recognized heritage of communities who use, or have used within living memory the cultural heritage for long-standing cultural purposes; and (ii) legally protected cultural heritage areas, including those proposed by host governments for such designation.

51. If the project, as per ECR '97, belongs to RED, ORANGE-B or ORANGE-A category and as per WB SGP belongs to Category-A or Category-B, does the list of machinery and equipment to be imported or under import include equipment for ETP, incinerator, waste recycling plant, noise and heat control devices and other applicable equipment as prescribed by DoE and as per IEE/EIA and EMP: YES/NO -----

Section H: Miscellaneous

52. Provide a copy of document checklist as per Annexure 5 of OM

53. Undertakings and Representations:

The PFI agrees to give the following undertakings and makes the following representations:

- i. that the Promoter has provided/ensured/committed to provide equity as mentioned in OM; and
- ii. the PFI has committed to finance rest of the debt amount excluding IPFF II facility and Sponsor's equity
- iii. the PFI will follow the terms and conditions mentioned in the OM of IPFF II Project

Name of Authorized Representatives (PFI)	Signature	Date
1.		
2.		

Document Checklist

(Please tick (√), if Yes. If No, write the appropriate Status /reason in the Remarks column)

	Documents	Check	Comment
	General Aspects		
1.	Loan Application (Annexure 4) from PFI requesting the amount of fund along with the duly filled in loan application form.		
2.	A copy of the summary details of Investment Project as per Annexure 6 of Operations Manual (OM)		
3.	Confirmation that PFI has agreed with Sponsor in writing as per Annexure 7 of OM (providing the PFI the right to inspect and access to project information)		
4.	Copy of Investment Project/Request from Sponsor to PFI		
5.	Copy of PFI's draft Sanction Letter, which includes the proposed terms and conditions of the Investment Project		
6.	Confirmation that the proposed infrastructure financing does not include under the list of Excluded Activities (Annexure 2)		
7.	Whether the proposed infrastructure project are listed in the list of Environmentally and Socially Sensitive Activities (Annexure 3)		
	Investment Project		
8.	Copy of Investment Project Appraisal report by PFI and detailed study report by Investment Sponsor including		
	a) Project Location and Site Map		
	b) Shareholding Structure of Project Company		
	c) Management Team and proposed organizational structure of Sponsors and management competency		
	d) Memorandum and Article of Association and Certificate of incorporation of Project Company		
	e) Profiles/experience of Parties involved in project development and operation and maintenance		
	f) Proposed Security package/ security related all supporting paper		
	g) Project Implementation Schedule depicting Current Status of the project		
	h) Description of Major Equipment to be installed in the Project		
	i) Technical details along with Process Flow Diagram		
	j) Proven Performance of Major Equipment		
9.	Confirmation that Investment Project is not located inside a protected area		
10.	Land entitlement evidence in case of Investment Enterprise owns the land		
11.	Valuation report on land and building made by credit risk manager/ credit officer/ enlisted surveyor of PFI if available.		

	Documents	Check	Comment
	Sponsors/ Promotors		
12.	Experience of Sponsors in implementing similar Project		
13.	Sponsor Details:		
	a) Profile/ Corporate Background and Experience		
	b) Last three years audited balance sheet and income statement		
	c) Clean, current Credit Information Bureau Report (no more than 90 days old from submission of the proposal), all local shareholder directors and associated companies.		
	Lender's/ Financial Aspects		
14.	Proposed Financing Arrangement of the project confirms IPFF II requirement		
15.	Arrangement of utilization of equity (amount and in percentage) by the sponsors		
16.	Arrangement of sharing the rest of the financing (excluding IPFF II and sponsor's equity) by PFI's own resources and/or other institutions		
17.	Investment Project Payment/Amortization Schedule along with terms and condition (indicative) a) Repayment from PFI to BB b) Repayment from Investment Project to PFI		
18.	Financial Model including debt service coverage ratio and other financial ratios / statements		
19.	Independent Engineer's Report, if any		
	Procurement Aspects		
20.	Details of Sponsor's Procurement Process with evidence including submitted tender documents, RFQ, RFP, newspaper clippings etc.		
21.	Procurement Plan of the Sponsor's for major machineries and equipment with current status.		
22.	Standard commercial practices followed in procurement		
23.	Undertaking of PFI and Sponsor that the assets will be procured as per procedures described in the OM under the proposed financing.		
	Commercial Aspects		
24.	Copy of Concession Agreement(s)		
25.	License from relevant Regulatory Authority		
26.	Consent/permit from Local Administrative Authority.		
27.	Arrangement of Insurance policy for usual risks		
28.	Copy(ies) of EPC contract / Turnkey contract / Spare parts supply contract / O &M contract / Equipment supply contract / Civil construction contract / Land development contract / any other relevant contracts		

	Documents	Check	Comment
	Environmental and Social Aspects		
29.	Compliance with environmental and social aspects as per DoE requirements, and ESPP requirements of IPFF II Project.		
30.	Initial Environmental Examination (IEE) report		
31.	Environmental and Social Impact Assessment (ESIA) report		
32.	Feedback from Consultation with Stakeholders (if not included in ESIA report)		
33.	PFI's own Environmental and Social Assessment report (if any)		
34.	Resettlement Action Plan(RAP) (in case of Involuntary Resettlement), if required		
35.	Indigenous peoples development plan (IPDP) if required		
36.	Clearance certificate of DoE enclosed (SCC, ECC etc.)		

Summary Details of Investment Project

Name of the PFI:

i) Profile and Appraisal of the Infrastructure Investment Project						
01	Name of Investment Sponsor					
02	Legal Status					
03	Nature of business					
04	Sub-sector					
05	Location of the plant/project					
06	Group Name					
07	Cost of the project					
08	Expected life of the project					
09	Objective of the project.					
10	Scope and strategy of the project.					
11	Projected financials (BDT in million) : Average Revenue: : Average Net Income: : Average cash flow : Average Equity : Average Repayment	Yr 1-3	Yr 4-6	Yr 7-9	Yr 10-12	Yr-13-15
12	Technical feasibility of site of the project					
13	Loan or Lease					
14	Loan/Lease amount					
15	Total group exposure of the Sponsor					
16	If the Project was not awarded on the basis of Competition, description of the best commercial procurement practice used or will be used					
17	Main Machinery and equipment to be procured, with value and country of origin (Attach detail list)	Mach & Eqpt. Origin (BDT Value)				
18	Sponsors repayment record					
19	i) PFI's appraisal report on the Investment project (enclose). ii) If the project already started operation, PFI's appraisal report on viability and feasibility of the project on the basis of the latest audited/ unaudited Financial Statements, performance reports and compliance status of ESMP.					
20	Financial plan (Equity and debt)					
21	Description of assets to be financed					
22	Sponsor-PFI relationship	(new or existing)				
23	Insurance status					
24	Environmental Category of the project	DoE: _____ WB: _____				

ii) Terms and conditions of the Infrastructure Financing		
1	Purpose of the loan	
2	Amount of the loan in BDT/USD	
3	Period of Loan/Lease(max. 20 years as required)	
4	Grace period	
5	Maturity date	
6	Interest rate(as per PFI's lending practice)	
7	Disbursement Schedule (and amount disbursed, if any)	Milestone, Date, Amount(Sch). Amount(Disb)
8	i) Repayment /Amortisation schedule ii) Does the Repayment /Amortisation schedule conform to amortisation schedule for Facility loan (Essentially, it must conform):	Enter/ Enclose Yes/No
09	Description of Security	

(Authorised signature of the PFI)

Undertaking by the PFI

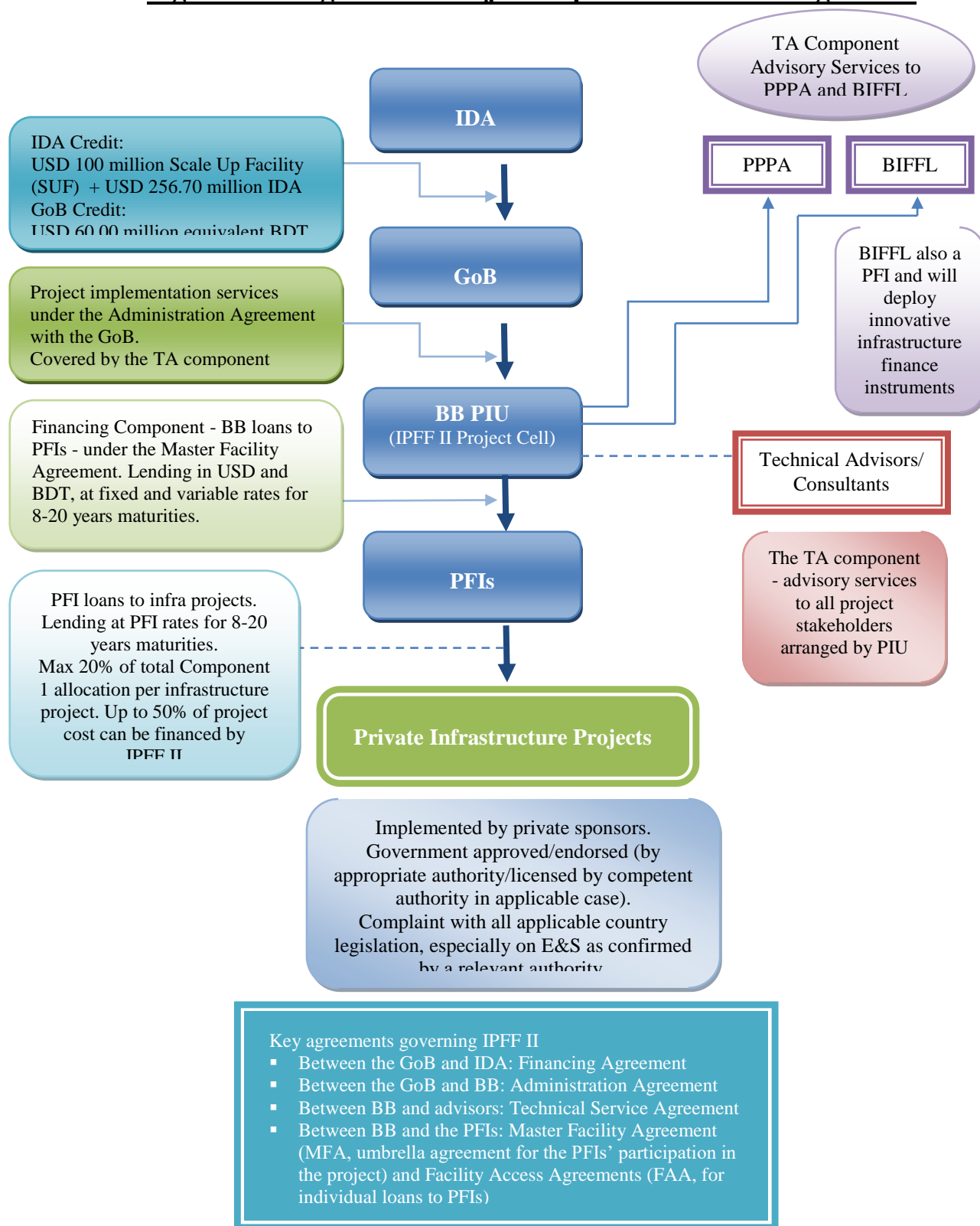
1. The PFI will confirm that the Investment Project, for which the financing is sought, will be carried out with due diligence and efficiency and in accordance with sound technical, financial and managerial standards; that the Investment Project will maintain adequate project records; and that PFI/IPFF II Project Cell/IDA will have the right of inspection.
2. The PFI shall obtain the right to inspect, by itself or jointly with representatives of the IDA and IPFF II Project Cell, such assets and sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents.
3. The PFI shall obtain the right to obtain all such information as IPFF II Project Cell, the IDA or the PFI reasonably request relating to the foregoing and to the administration, operation and financial condition of the Investment Sponsor and to the benefits to be derived from the Investment project.
4. The PFI shall obtain the right to suspend or terminate the right of the Sponsor to the use of IDA funding upon failure by the Sponsor to perform its obligations under contract with the PFI.

(Authorised signature of the PFI)

Quarterly Report of PFI on Infrastructure Financing

As on-----

SL.	Name of the Investment Sponsor	Sector	Loan No	Sanction Date	Sanction amount	Disbursed amount as of---	Outstanding amount as of--	Overdue Instalment amount	Recovery during the quarter	Cumulative recovery as of ---	Remarks

Figure showing IPFF II Project Implementation Arrangements

Grievance Redress Mechanism

Introduction:

The purpose of this document is to define the procedure for managing Subproject affected community's concerns and complaints (referred to as "grievances") in a planned, timely, and respectful manner.

This grievance redress mechanisms has been prepared to fulfill the obligation of IDA for funding IPFF II project.

The main purpose of this grievance redress mechanism is to effectively and proactively manage a community's feedback, grievances or concerns with a Subproject about its operations. By facilitating a two way communication, a grievance mechanism can enhance outcomes by giving people satisfaction that their voices are being heard and that the authority of the Subproject would take necessary steps to resolve the issues.

Objectives:

The objectives of the grievance redress mechanisms are to:

- Provide accessible avenues for the project affected communities for those infrastructure projects that have been financed under IPFF, or are in the process of seeking financing, to contact IPFF II Project in order to lodge complaints;
- Provide a mechanism for addressing grievances of project affected communities in a timely and effective manner.

Scope:

The grievance redress mechanism will manage grievances from project affected communities where IPFF II Project finance will be involved. It applies to all grievances that arise as a consequence of any related activity for projects financed through IPFF II (this includes any concerns or complaints about actions or impacts of any project contractors). This grievance redress mechanisms does not impede access to other judicial or administrative remedies that might be available under domestic law or through existing arbitration procedures.

It should also be noted that each infrastructure project financed through IPFF II Project Cell will be requested to have in place a project-level grievance redress mechanisms that affected communities may use to raise their concerns with project developers. Sponsors will also be requested to make communities aware of the IPFF II grievance redress mechanisms.

All complaints received under this procedure shall be tracked until close out. IPFF II will provide a timely response to every concern or complaint submitted, however reserves the right not to engage in a resolution process for a complaint which it reasonably considers no more than general, unspecified, and therefore un-actionable or concerns a matter for which IPFF II has no formal responsibility (for example, a matter that the government controls).

Submission of a Complaint to IPFF II Project Cell:

A complaint can be submitted by one or more individuals or groups who believe they are directly and adversely affected by an active IPFF II financed Subproject.

The complainant can request to keep their identity confidential. In that case the personal details of complainants would only be made available to those involved in the resolution of the grievance in question.

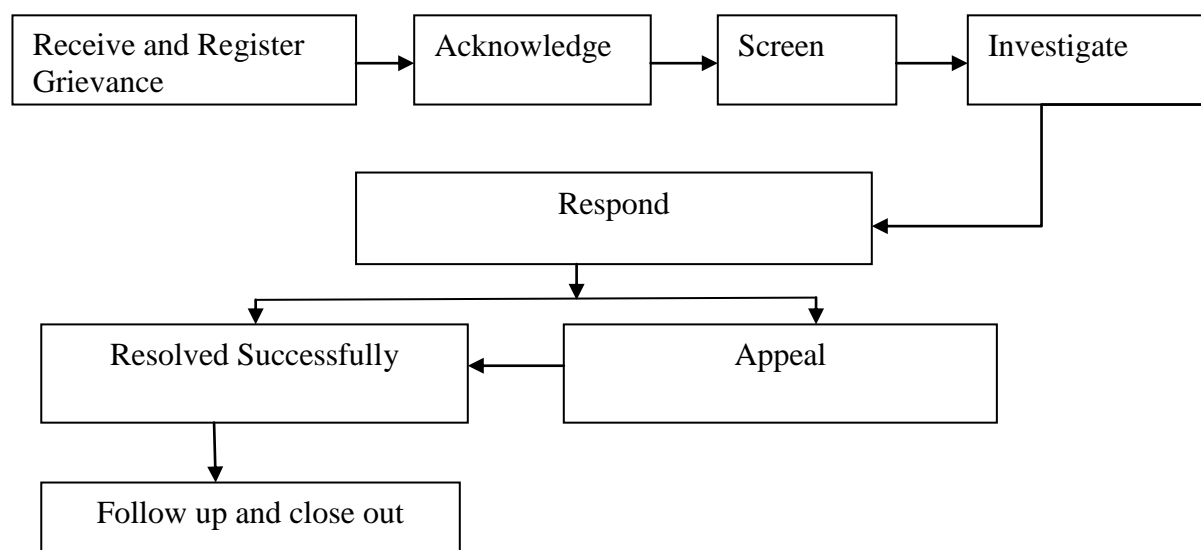
Unfortunately, anonymous complaints cannot be responded to by the IPFF II Project. However, if an anonymous complaint contains relevant information about specific IPFF II financed project related issues, IPFF II Project Cell will also forward it to the concerned Participating Financial Institution that financed that project for information and follow-up, where appropriate.

Complaint(s) to IPFF II could be submitted directly by affected people in one of the ways outlined below:

- Via email: *bb.ipff@bb.org.bd*
- Via fax: +88-02-9530193
- Via mail:
Project Director
IPFF II Project Cell (24th Floor)
Bangladesh Bank, Head Office
Motijheel, Dhaka-1000

Grievance redress mechanisms process:

The grievance redress mechanisms process could be outlined as below:



Registering Grievances:

Grievances will be logged in the Grievance Register within two days of receiving the grievance. Project Director of IPFF II Project will assign an IPFF II Project Cell official (grievance officer) to deal with the grievances. The concerned official will be responsible for:

- Defining and implementing resolution actions.
- Investigating the grievance.
- Making sure resolution actions are completed.
- Tracking progress of individual grievances.
- Responding: Aggregating and forwarding feedback to Complainants.
- Documenting resolution actions.
- Gaining necessary approvals from, and reporting to the management.

Acknowledge grievance:

The Grievance Officer will formally acknowledge grievance within 5 working days of the submission of the grievance, informing the complainant that IPFF II intends to respond within 20 working days.

Screen:

Each grievance will be screened as either “routine” or “potentially significant” in order to determine the appropriate response.

Investigate:

The grievance officer will lead grievance investigation, when needed, which could include collecting relevant documents, making site visits, consulting appropriate internal staff, contacting external stakeholders, and other activities. Investigation findings will be used to document decision making process and inform proposed remedy.

Respond:

If the grievance is classified as routine, grievance officer will define plan for grievance response and craft the draft response for approval from Project Director. In case of “potentially significant” type grievance, the grievance officer will work collaboratively with the concerned PFI and the entrepreneur to take remedial action. The responses have to be cleared by the Project Director.

Follow up and closed out:

If the complainant accepts the proposed resolution, the agreed actions will be implemented. The grievance officer will be responsible for assigning action parties, actions, and deadlines to implement the resolution. After resolution, the grievance should be formally closed out.

Appeal:

In cases where a complainant is unsatisfied with and/or unwilling to accept the resolution actions proposed, the complainant can appeal to revisit the grievance. In that case, the complainant has to produce sufficient reasoning behind the unacceptance of the resolution. Where complainant(s) are not satisfied with the resolution provided by IPFF II Project, they can be advised of other avenues that may be available to them to address the issues.