

Financial Institutions Department
Bangladesh Bank
Head Office
Dhaka

FID Circular No. 07

Date: 13 September 2006

Managing Director/Chief Executive
All scheduled banks and non-bank Financial Institutions
in Bangladesh

Dear Sir,

Investment Promotion and Financing Facility (IPFF)

The Government of Bangladesh (GoB) has signed a Financing Agreement (FA) for SDR 34.9 million on 01 June 2006 with the International Development Association (IDA) in connection with implementation of the Investment Promotion and Financing Facility (IPFF) Project. The important objective of the project is to promote the infrastructure development through private sector entrepreneurs endorsed by the GoB. The GoB and Bangladesh Bank have signed an Administrative Agreement on 21 August 2006 empowering Bangladesh Bank to administer and implement the project on behalf of GoB.

02. "Infrastructure Development Lending" is the main component of the project. It will supplement the resources of local financial markets to provide long-term finance for infrastructure projects beyond the capacity of the local financial institutions. This component will provide a funding mechanism that will add transparent levels of control and market-based incentives to the existing methodology for allocating funds to priority infrastructure projects (will be recognized as investment projects) identified by government and developed on the basis of public-private partnerships. The GoB will also provide co-financing to the Facility. Bangladesh Bank will hire a technical advisory firm and consultants for operational support of the Facility.

03. The Facility will provide long-term financing to eligible financial institutions (banks and non-banks) while those financial institutions will finance the infrastructure project promoters. The Operational Directives that will govern the operation and implementation procedures and eligibility criteria of the financial institutions are attached in Annexure-A. Interested banks and non-bank financial institutions may apply for eligibility of the Facility.

This circular takes immediate effect.

Yours faithfully,

Sd/=

(Md. Mofiz Uddin Chowdhury)
General Manager
Phone: 7120362

OPERATIONAL DIRECTIVES

FOR

INVESTMENT PROMOTION AND FINANCING

FACILITY



INVESTMENT PROMOTION AND FINANCING
FACILITY (IPFF) PROJECT
IDA CREDIT # 4169-BD
BANGLADESH BANK
HEAD OFFICE
DHAKA

OPERATIONAL DIRECTIVES

1.Introduction

The Government of Bangladesh (GoB) has signed a Financing Agreement (FA) for SDR 34.9 million (approximately US\$50 million equivalent) with the International Development Association (IDA) in connection with the Investment Promotion and Financing Facility (IPFF) Project. The important objective of the project is to promote infrastructure development through private sector entrepreneurs endorsed by the GoB.

" Infrastructure Development Lending" is the main component of the project. It will supplement the resources of Bangladesh's financial markets to provide long-term finance for infrastructure projects beyond the capacity of local financial institutions. This component will provide a funding mechanism that will add transparent levels of control and market-based incentives to the existing methodology for allocating funds to priority infrastructure projects (recognized as Investment Projects) identified by government and developed on the basis of public-private partnerships. The IDA board has approved the SDR equivalent of US\$ 50 million; GoB will also provide approximately US\$ 10 million to the project out of which a total of approximately US\$ 57.50 million will be available as Facility Loan.

2.Background of OD

These Operational Directives ("OD") contain the basic policies and procedures governing the operations of the Investment Promotion and Financing Facility ("IPFF"). Bangladesh Bank ("BB") will administer the Facility as the implementing agency on behalf of GoB. Since these OD contain principles and guidelines that govern the IPFF operations, they take precedence over the other agreements, as follows: the Master Facility Agreement ("MFA") between the IPFF and the participating financial institutions ("PFIs") under the Project, and the Facility Access Agreements that cover the access by the PFIs to the IPFF credit. These OD provide specific guidelines for the IPFF to enable it to faithfully carry out its responsibilities. While the OD spell out specific guidelines, there are areas where the executing agency is encouraged to exercise its professional judgement to help attain the objectives of the Project.

3. Amendments to the Operational Directives

The BB, with the written consent of the IDA, may amend provisions of these OD from time to time. The IDA may indicate its consent to amendments through the **Aide Memoire** of any of its missions or a letter from its Management.

OD No. and Applicable Agreement/Para/Section	OPERATIONAL DIRECTIVES
Financing Agreement Article II, Sec,2.01	The total allocated amount for this Facility Loan ("Facility Loans" means any loan provided by Bangladesh Bank to PFIs) will be approximately US\$ 57.5m. All availments to PFIs will be on a first come, first serve basis.
Financing Agreement schedule 4 , Sec. E para 1	Facility Loans shall be denominated in Taka; and, with prior approval of the GoB and the IDA, may be denominated in dollars.
Equity Participation: Maximum Amount per Investment loan Refers page 6 of OD	Projects will be supported on market terms and will require at least a 30% equity from the private infrastructure promoter. Out of the balance 70%, PFIs and/or other institutions will finance atleast 20% and the rest may be financed by IPFF.
Grace and Repayment Periods: Financing Agreement Schedule V	a. The grace period for Investment Loans ("Investment Loan" means a loan made by or proposed to be made by a PFI out of the proceeds of the facility for financing Investment Projects) will be of a maximum of 10 years with a minimum of 3 years from the first disbursement of the Facility Loan.
	b. The maximum repayment period for Investment Loans will be 20 years from the first disbursement for an Investment Loan.
	c. The PFI will not extend grace and repayment periods longer than what is prudently needed by the Investment Project .
	d. A consolidated amortisation schedule for availments under the facility, by way of Investment loans , will be prepared prior to the first disbursement. This consolidated amortisation schedule will be revised at the closing of the Investment loan to reflect the actual disbursement.

<p>Continuing Eligibility: MFA Art.III,Sec3.1 and</p> <p>Compliance and continuing Eligibility: MFA Art. III , Sec. 3.2</p>	<p>(a)The PFI will be required to meet the eligibility criteria for continued participation in the Facility, as modified from time to time.</p> <p>(b) The FI may not be associated with corrupt and unethical business activities or practices inconsistent with the Investment Project pursuant to the IDA Procurement Guidelines.</p> <p>a. After receiving approval to participate in the Facility, the PFI must continue to satisfy the eligibility criteria referred to above in Sec3.1 of MFA</p> <p>b. If the PFI is not in compliance with any of the eligibility criteria, the IPFF will promptly notify to the PFI that identifies the specific eligibility criteria which the PFI is not in compliance and seeks appropriate response from the PFI to remedy the violation within a stated agreed upon time period.</p> <p>c. If the PFI fails to maintain its eligibility status under the Facility, the IPFF with intimation to IDA , will have the right to suspend all Investment loans amortizations under the Facility in respect of the FI.</p> <p>d. The IPFF 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.</p>
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<p>Pricing of Credit : MFA, Art.v, Sec. 5.2</p> <p>& Financing Agreement Schedule iv. Sec.E.4 (b),(c).</p>	<p>a) The interest rate on Facility Loan shall be standardized across participating financial institutions. The grace period and amortization schedule shall match that of investment loans extended by participating financial institutions.</p> <p>b)The Facility Loan interest rates shall be on the basis of a margin of over the marketable government borrowing instrument with maturity closest to the interest resetting mechanism of the loan. The interest rate for a fixed rate bullet loan shall be set at 0.25 percent above the equivalent maturity government bond rate. The interest rate for a fixed rate amortizing loan shall be set at 0.25 percent above the rate of the government bond having a maturity closest to the average life of the loan. The interest for a floating rate loan shall be set at 0.50 percent above the interest rate of the recipient's Treasury Bill maturing closest to the interest reset date of the loan. Interest rates for the Government securities to be used as reference rates for Taka Facility Loans shall be as disclosed on the Bangladesh Bank web page.</p> <p>c) For any Facility Loans made to the PFI in Dollars, or any other convertible currency, the interest rate will be 0.50 percent above the relevant inter bank rate for floating rate loans (interest rates resetting every 12 months or less) and 0.25 percent above the relevant swap rate for fixed rate loans, as determined by the International Swaps and Derivatives Association (ISDAFIX)</p>
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<p>Credit Files to be maintained: MFA, Art. iv, Sec. 4.2</p>	<p>PFI's should maintain for each Investment Enterprise and the corresponding Investment project the following files, as a minimum:</p> <ul style="list-style-type: none"> (a) Executive summary of the Investment Project and client profile. (b) Principal amount, maturity, interest rates, payment dates, scheduled payment amounts, grace periods, prepayment date(s), prepayment premium, if any, outstanding balances, cash surplus balances, if any, and other pertinent details of the Investment loan. (c) Description of the product(s), sub-sector, project description, project costs, financial plan, and use of loan proceeds. (d) Collateral or security, special conditions, and covenants. (e) Description of principal owners or senior management of the Investment Enterprise. (f) Copies of PFI's internal credit evaluation report, credit information bureau reports, and internal memoranda of the PFI to the PFI board or management/credit committee recommending approval. (g) Minutes documenting board or management approval and the conditions for approval. (h) Copies of the Investment Loan, collateral or security documents (originals in safekeeping), documents evidencing authority of client and signatories to enter into the Investment loan agreement, and documents evidencing compliance with pre-disbursement conditions (including verification of collateral papers and payment of security deposit for loans). (i) Record of disbursements, collections, arrears, outstanding receivables, and reports on construction, installation, completion, production and operations. (j) Documents in support of syndication copies of regular financial statements, periodic reports on credit classification and provisions for loan losses/contingencies, late payment notices, demand letters, foreclosure or similar notices, client correspondence, documents relating to restructuring, foreclosures, repossession, bankruptcy, and all other material information on the credit account. (k) Record of supervision of Investment Projects. (l) Supporting documents in respect of sponsor's equity.
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4. Selection of Investment Project

Infrastructure Projects from the power sector will be given special emphasis, however under the Guidelines, infrastructure projects from the following sectors or sub sectors may be implemented as Private Infrastructure Projects:

- a) power generation, transmission, distribution, and services
- b) port development(sea, river and land) including inland container terminals, inland container depot and other services;
- c) environmental, industrial and solid waste management projects
- d) highways and expressways including mass-transit , bridges, tunnels, flyovers, interchanges, city roads, bus terminals, commercial car parking, etc;
- e) airports, terminals and related aviation facilities;
- f) water supply and distribution, sewerage and drainage;
- g) industrial estates and parks development;

5. Facility Mechanisms.

- a. A private sector promoter is selected to undertake a government-sponsored infrastructure investment project on the basis of a PPP (for example a land port or a small power plant).
- b. The promoter approaches a participating financial institution to finance the investment project.
- c. The selected participating financial institution conducts due diligence on the proposed investment project.
- d. If satisfied with the proposed project, the participating financial institution decides to co finance the project and determines the applicable interest rate.
- e. The financial institution then approaches BB with the proposed project and requests co financing under the IPFF.
- f. The Technical Advisor/Consultants appointed by Bangladesh Bank reviews the proposed investment project and provides its advice also to IDA. On the basis of its own assessment for adherence to project objectives, the Financing Agreement and government policies, IDA will also review on the basis of "No Objection".
- g. On behalf of the GoB, BB provides the requested funding to the participating Financial Institution in local currency or US dollars, as required. In parallel, the PFIs and other financial institution provide their shares of the financing to the project. Investment Loans to ,PFIs for Investment Projects eligible for financing from the Facility will be approved by the Bangladesh Bank as agent of GoB subject to IDA " No objection".
- h. Projects will be supported on market terms and will require at least 30% equity from the private infrastructure promoter. Out of the balance of up to 70%, PFIs (alone or through syndication) will finance 20% and rest may be financed by IPFF.
- i. The PFIs are required to co-invest as well as assume all credit risk to reinforce alignment of their interests and those of the government.
- j. Syndication amongst PFIs and with non participating institutions will be permitted but the PFIs will be responsible for credit administration and recovery.

- k. Participation under the facility will be open to all financial institutions that meet eligibility criteria to be determined by BB (See annexure 1). Approvals provided by BB will be on the basis of the fulfilment of technical criteria contained in a checklist (Annexure 3).
- l. All PFIs participating in the financing must demonstrate to the satisfaction of Bangladesh Bank that they will remain in conformity with Bangladesh Bank regulations, including those relating to capital adequacy, single borrower exposure and provisioning.
- m. Technical Advisor/Consultant also provides support in designing and managing capacity-building programs, especially with regard to the respective agencies' role in policy making for private participation and as overseer of private Build, Operate, Transfer/Build, Own, Operate (BOT/BOO) and other forms of PPP contracts. The project will also support initiatives such as the design of institution strengthening programs that focus on regulation in general, and promotion of regulatory reforms aimed at attracting more private investment in infrastructure.
- n. To reduce risks to investors and promote adherence to national and World Bank requirements, Technical Advisor or Consultant will coordinate and oversee the provision of social and environment assessment services to project sponsors.
 - a. Screening of investment concepts against the IFC/Multilateral Investment Guaranty Agency exclusion list to ensure that no activities on the exclusion list are financed (See Annex 4).
 - b. Determination of appropriate safeguard categories under both DOE and World Bank classification
 - c. Contracting for and reviewing environmental and social impact assessments as required by DOE and the World Bank.
 - d. Submitting draft impact assessments for environmental Category A projects with significant adverse social impacts for review and " No Objection " by the World Bank before seeking clearance from DOE.
 - e. Obtaining environmental clearance for all proposed investments from DOE
 - f. Providing the World Bank with annual monitoring reports summarizing all investments, their safeguard category, and impact assessment / Environmental Management Plan (EMP) status.
- o. Investment Projects will be required to submit their procurement plan along with the proposal.
- p. To improve the standard of project preparation in Bangladesh, funds under the technical assistance component may be used to supervise and manage the preparation of Environmental Impact Assessments (EIA) to assure the quality required by the GoB (and for eligibility for World Bank Group funding).
- q. The Department of Environment is responsible for providing environmental clearances according to the requirements of the Environmental Conservation Act Rules of 1995 and 1997.

6. The above facility mechanism is shown in a diagram in Annexure2.

7. Approval of financing proposals

Once a PFI has taken the decision to finance an infrastructure project following the above mechanism, the PFI will forward the loan file to Bangladesh Bank for approval of the requested IPFF co-financing (maximum 80% of the debt). Bangladesh Bank will do the initial scrutiny as per the checklist and will forward the proposal to the Technical Advisor/Consultant. Technical advisor/consultant will provide technical assistance to Bangladesh Bank during this review process. Upon receipt proposal from Bangladesh Bank, Technical Advisor/Consultants will review whether the investment projects to be financed meet pre-defined criteria: acceptable procurement, sufficient equity participation (minimum 30%), completion of EIA, etc. Once Bangladesh Bank has ensured that the investment project complies with the eligibility criteria; it will forward the loan application to IDA for no-objection. After receiving IDA's clearance regarding the loan application, the Project Director will sanction the loan amount, which will be disbursed in three instalments. The first instalment amount will be 45%, second 30% and the third instalment will be 25% of the sanctioned amount. Prior inspections will necessarily be required to become eligible to avail the second and third instalment. Similar inspection to judge the proper utilization of the second instalment will be regarded as the eligibility of availing the third and final. The PFIs should ensure the 30% equity participation of the entrepreneurs along with the PFI's own participation.

Eligible investment projects will be considered for financing by Bangladesh Bank on a first come, first serve basis. However, eligible power sector projects will be given special emphasis. Applications incomplete in any respect will fall back in the queue and will be overtaken by other complete applications in the disbursement process.

8. Selection of PFIs

Bangladesh Bank will have the responsibility for selecting the PFIs, deciding whether to finance the loan proposals submitted by the PFIs, based on a list of pre-determined criteria and providing capacity building to financial institutions in infrastructure finance and related themes, eligibility criteria (Annexure 1) will be followed to select PFIs under IPFF. IPFF is open to both bank and non-bank financial institutions.

9. Procedures to be followed by entrepreneurs

A private sector promoter wishing to access financing under the facility, shall follow the following procedures:

- a) The private sector promoter shall have received a Letter of Intent from Government in connection with a government-sponsored infrastructure investment project or shall have prepared a proposal for a private infrastructure project of a type identified by Government as eligible for financing under the Facility (e.g. a captive power plant)
- b) The private sector promoter shall provide evidence of ability to provide an equity contribution to the development of the proposed investment project for a minimum of 30% of the total investment project cost.
- c) the promoter shall have received a credit approval for the investment project from a PFI
- d) The promoter shall have obtained appropriate clearance from the Department of the Environment.

A PFI, or consortium of PFIs, wishing to access financing under the Facility, shall follow the following procedures:

- a) Demonstrate as required to Bangladesh Bank that private sector promoter has followed all required steps as identified above.
- b) Provide evidence to the satisfaction of Bangladesh Bank that all PFIs participating in the financing remain in conformity with the eligibility criteria for project participation (as detailed in annexure 1)
- c) show evidence of capacity to finance 20% of the total loan amount through resources other than drawing upon the facility (which may be from own resources or other sources, including financial institutions not participating in the facility).
- d) demonstrate to the satisfaction of Bangladesh Bank that all PFIs participating in the financing will remain in conformity with all Bangladesh Bank regulations, including those relating to capital adequacy, single borrower exposure and provisioning.

10. Other terms and conditions for Investment Loans:

1. Unless otherwise agreed by the GoB, Bangladesh Bank and the Association shall otherwise agree, Investment Loans shall be denominated in Taka.
2. The interest rate on Investment Loans shall be determined by the respective PFI in accordance with its usual lending practices.
3. Investment Loans shall be repaid over a period of time not exceeding 20 years determined by the respective PFI in accordance with its usual lending practices.
4. The amortization schedule applicable to each Investment Loan financed out of the proceeds of an Investment Loan shall conform to the amortization schedule of the applicable Investment Loan.
5. No expenditures for goods or services required for an Investment Project shall be eligible for Financing out of the proceeds of the Credit unless:

- a) the Investment Loan for such Investment Project shall have been approved by the Association and such expenditures shall have been made not earlier than 120 days prior to the date on which the Association shall have received in respect of such Investment Loan the application and information required under paragraph 6 (a) of schedule-v of the Financing Agreement in respect of such Investment Loan; or
 - b) the Investment Loan for such Investment project shall have been an Investment Loan for which the Association has authorized withdrawals from the Credit Account without prior approval by the Association and such expenditures shall have been made not earlier than 120 days prior to the date on which the Association shall have received the request and information required under paragraph 7(b) of the Financing Agreement Schedule in respect of such Investment Loan.
6. (a) When presenting an Investment Loan to The Association for approval, the GoB shall cause Bangladesh Bank to forward to the Association an application submitted by a PFI, in form satisfactory to the Association, together with: (i) a description of the Investment Enterprise and an appraisal of the Investment Project, including a description of the expenditures proposed to be financed out of the proceeds of the credit; (ii) the proposed terms and conditions of the Investment Loan, including the schedule of amortization of the Investment Loan; and (iii) such other information as the Association shall reasonably request.
- (b) Each request by the GoB for authorization to make withdrawals from the Credit Account in respect of an Investment Loan for which prior approval by the Association is not required shall contain: (i) a summary description of the Investment Enterprise and the Investment Project, including a description of the probable environmental impact and of the expenditures proposed to be financed out of the proceeds of the credit, (ii) the terms and conditions of the Investment loan, including the schedule of the amortization therefore; (iii) the description of mechanism designed to ensure that all environmental and social safeguards matters have been addressed, consistently with the EIA and the EMP; (iv) a certification that the carrying out of the Investment Project (A) does not involve involuntary resettlement of People, and (B) will not be located inside a protected area; and (v) evidence that the Investment Enterprise owns the land where the Investment Project will be developed.
- (c) the PFIs or project sponsors may take assistance from the Technical Advisor/Consultant for EIA or to remove any difficulty before or during execution of the Investment project.

(d) All Investment Loans by a PFI shall be subject to Prior approval by the Association. However, Investment Loans by such PFI may be exempted from prior approval as the Association shall agree.

(e) Applications and requests made pursuant to the provisions of paragraphs (a) and (b) of this Section shall be presented to The Association within 30 days upon receiving positive comments on the eligibility review and EIA.

(f) Applications and requests made pursuant to the provisions of paragraphs (a) and (b) of this Section shall also include evidence that the Investment Project proposed to be financed out of the proceeds of the Investment Loan does not include activities of a military or paramilitary nature or activities in the following SITC groups or subgroups, or any success or groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the GOB.

Group	Description of Items
112	Alcoholic beverages
121	Tobacco, unmanufactured, tobacco refuse
122	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	Radioactive and associated materials
667	Pearls, precious and semi-precious stones, unworked or worked
718	Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors
728.43	Tobacco processing machinery
897	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and "goldsmiths" or "silversmiths" wares (including set gems)
971	Gold, non-monetary (excluding gold ores and concentrates)

To improve the standard of project preparation in Bangladesh, funds under the technical assistance component may be used to supervise and manage the preparation of Environmental Impact Assessments (EIA) to assure the quality required by the GoB (and for eligibility for World Bank Group funding).

The Department of Environment is responsible for providing environmental clearances according to the requirements of the Environmental Conservation Act Rules of 1995 and 1997.

11. Undertakings of the PFI

Except as the BB will otherwise agree:

1.The PFI will conduct its operations and affairs in accordance with sound financial standards and accounting and auditing practices, with qualified and experienced management and in accordance with its (i) Articles of Association, (ii) Statement of Lending Policy, and (iii) Corporate Strategy Statement, as approved by its Board of Directors and a three-year business plan for term lending, satisfactory to the association.

2.The PFI will establish and maintain procedures and operational policies, satisfactory to the BB and IDA, for the appraisal, supervision and monitoring of Facility Loans and Investment Loans.

3.The PFI shall, unless the Bangladesh Bank, The GoB and the Association shall otherwise agree, ensure that Investment Loans will be made in accordance with the procedures and on the terms and conditions set forth to in Schedule 5 of Financing Agreement.

4.The PFI will exercise its rights in relation to each Investment project in such manner as to (i) protect the interests of BB, the GoB, the Association, and of the PFI; (ii) comply with its obligations under the Master Facility Agreement; and (iii) achieve the purposes of the Facility.

5.The PFI shall duly perform all its obligations under the Master Facility Agreement. Except as the Bangladesh Bank, the GoB and the association 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 Master Facility Agreement or any provision thereof.

6.The PFI will 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 Association; and (ii) such goods and services shall be used exclusively in the carrying out of the Investment Project;

7. The PFI shall require the Investment Enterprise to annually carry out the audit of the Investment Project under terms of reference satisfactory to the PFI;

8. The PFI shall inspect, by itself or jointly with representatives of the Association if the Association 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;

9. The PFI shall require that: (i) the Investment Enterprise 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 Enterprise to replace or repair such goods.

10. The PFI shall obtain all such information as the GOB, the Association or the PFI shall reasonably request relating to the foregoing and to the administration, operation and financial condition of the Investment Enterprise and to the benefits to be derived from the Investment Project; and

11. The PFI shall suspend or terminate the right of the Investment Enterprise to the use of the proceeds of the Credit upon failure by such Investment Enterprise to perform its obligations under its contract with the PFI.

12. The PFI will, at the request of the BB, exchange views with the BB with regard to the performance of its obligations under the Master Facility client and other matters relating to the purposes of the Credit.

13. The PFI will promptly inform the GOB and Bangladesh Bank of any condition that interferes or threatens to interfere with the accomplishment of the purposes of the Credit or the performance of the PFI of its obligations under the Master Facility Agreement.

14. The PFI shall maintain procedures and records adequate to monitor and record the progress of each Investment Project (including the 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.

15. The PFI shall enter into Facility Access Agreements with Bangladesh Bank for receiving Facility Loans

16. Facility Loans shall be disbursed to PFIs against Investment Loans made by PFIs to finance Investment Projects

17. The right of PFIs to use the proceeds of Facility Loans shall be suspended or terminated upon the suspension or termination of the related Investment Loans for the relevant Investment Project.

18. The PFIs are to ensure their due diligence in all environmental and social safeguards matters, inter alia, in:

a) Ensuring that required clearances of environmental and social impact assessments have been obtained from DOE and the Association;

- b) Ensuring that all EMPs, as cleared by DOE and the Association, are incorporated in the investment contract documentation; and
- c) Providing Bangladesh Bank, the GOB and the Association with annual reporting of all investments, their safeguard category and clearances, and any environmental or social commitments (such as EMPs) that have been incorporated in investment contracts.

Terms as per Facility Access Agreement

1. The Facility Loan shall be utilized by the PFI to provide an Investment Loan for the purpose of financing an Investment Project.
2. The PFI shall, unless the GoB, Bangladesh Bank and the Association otherwise agree, ensure that Investment Loans will be made in accordance with procedures and on the terms and conditions set forth or referred to in Schedule V to the Financing Agreement.
3. In respect of the Facility Loan, the PFI shall comply with all its relevant obligations set out in the Master Facility Agreement
4. The PFI shall annually carry out the audit of the Facility Loan under terms of reference satisfactory to the Bangladesh Bank.

12. Terms and conditions of Facility Loans

1. Facility Loans shall be denominated in Taka; and, with prior approval of the GOB and the Association, may be denominated in dollars or other convertible currency.
2. Facility Loans shall be repaid over a period equivalent to the repayment period of the Investment Loans against which the Facility Loans are disbursed.
3. The eligibility criteria and the procedures are spelled out clearly.
4. The interest rate shall be as follows:
 - a) Standardized across PFIs. The grace period and amortization schedule shall match that of Investment Loans extended by PFIs.
 - b) Facility Loan interest rates shall be on the basis of a margin over the marketable government borrowing instrument with maturity closest to the interest resetting mechanism of the loan. The interest rate for a fixed rate bullet loan shall be set at 0.25 percent above the equivalent maturity government bond rate. The interest rate for a fixed rate amortizing loan shall be set at 0.25 percent above the rate of the government bond having maturity closest to the average life of the loan. The interest for a floating rate loan shall be set at 0.50percent above the interest rate of the GOB's Treasury Bill maturing closest to the interest rate reset date of the loan. Interest rates for the government

securities to be used as reference rates for Taka Facility Loans shall be as disclosed on the Bangladesh Bank's webpage.

- c) For any Facility Loans made to PFI in dollars, or any other convertible currency, the interest rate will be 0.50 percent above the relevant inter bank rate for floating rate loans (interest rates resetting every 12 months or less) and 0.25 percent above the relevant swap rate for fixed rate loans, as determined by the International Swaps and Derivatives Association (ISDAFIX).

13. Procurement

Selection of entrepreneur/ concessionaire of infrastructure Investment Projects obtaining financing from the Facility, and procurement of goods and works by these entrepreneurs/ concessionaires:

The following four cases will apply:

- A government executing agency (e.g. Ministry of Communications, REB, BPDB, etc) selects a concessionaire/entrepreneur competitively under a concession, BOT or similar arrangement. In this case, the process will follow the general principles laid out in section 3.13(a) of the Procurement Guidelines (Annexure 5).
- A government executing agency (e.g. Ministry of Communications, REB, BPDB, etc) selects an concessionaire/entrepreneur under a concession, BOT or similar arrangement, but not under ICB procedures acceptable by IDA. In such cases, for procurement of goods, works and services by the concessionaire/entrepreneur required for the Investment Project and financed by IDA, shall be done in congruence with Section 3.13 (b) of Procurement Guidelines (Annexure 5).
- Only under rare specific circumstances where a competitive process is not possible or practical such as in the case of expansion of an existing investment project operated by incumbent concessionaires or entrepreneurs, provisions of Section 3.13(a) and 3.13(b) of the Procurement Guidelines would apply subject to the following:
 - I. the incumbent concessionaire/entrepreneur shall be a private company or a government-owned company satisfying the requirements of paragraph 1.8(c) of the Procurement Guidelines; (See annexure 5)
 - II. procurement capacity of the concessionaire/entrepreneur is assessed at the level acceptable to the Association;
 - III. the procurement procedures of the concessionaire/entrepreneur results in fair competition, economy, efficiency and transparency; and

IV. no preference is given to contractors belonging to the concessionaire/entrepreneurs' shareholders.

- A private infrastructure service provider approaches a PFI to obtain financing for an investment project that is not under a concession, BOT or similar arrangement, but in which a public interest can be demonstrated. This could apply only in rare cases where concessionaire/entrepreneur has not been selected by public tender, but where the government allows unlimited entry into the market through an open licensing process, subject only to fulfilment of technical quality requirements. As the case may be, funds of the facility may be provided to the eligible PFI to be re-lent to the concessionaire/entrepreneur in accordance with the provisions of paragraph 3.12 of the Procurement Guidelines, by which infrastructure concessionaire/entrepreneur could undertake procurement in accordance with established private sector or commercial practices, acceptable to IDA.

14. Monitoring and Reporting

Bangladesh Bank will be required to ensure that the PFIs will

- a) comply with the reporting and monitoring requirements as prescribed by IDA
- b) verify the status of Investment Projects supported under the IPFF by on-site inspection at least semi-annually
- c) prepare Investment Loan portfolio management and progress reports covering outstanding loans under the Credit to be submitted to BB and IDA within thirty days of each semester end.
- d) Participating FIs will submit annual audit reports to BB and IDA within four months of the end of the year.
- e) Each PFI will maintain a separate database system with adequate backups regarding IPFF loans or leases.

15. Repayment Mechanism

- Once the repayment schedule is prepared each PFI is required to pay on due date the full amount to be paid by cheque
- Value date for repayment received is the date the cheque is handed over to BB.
- BB will monitor the total repayment system
- At the end of the day, if there are any non-payments, the PFI is contacted and reminded that the repayment has been missed out.
- Late payments are subject to penalties at the same rate at which disbursement is made against the funding
- If the repayment date happens to be a holiday, the repayment is payable on the next working day without penalties.
- Pre-payments are allowed without penal interest
- In case of partial pre-payment, repayment schedules are redrawn, and the new repayment schedule is entered into the system
- Each PFI should maintain a database regarding their repayment due dates and monitor properly

**A GUIDE TO ASSESSING
ELIGIBILITY CRITERIA FOR FINANCIAL INTERMEDIARIES (FIs) FOR THE
INVESTMENT PROMOTION & FINANCING FACILITY (IPFF) PROJECT**

Notes:

- (1) An application for joining IPFF 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 the Finance Method of accounting (IAS 17).
- (4) To determine eligibility of PFIs under IPFF, BB 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) adequate managerial autonomy and commercially oriented governance (particularly relevant when state-owned or state-controlled FIs are involved),
 - f) appropriate prudential policies, administrative structure and business procedures and ,
 - g) sound financial position.
- (5) In consultation with IDA, BB may waive compliance with a particular eligibility criterion in exceptional cases. However, in those cases, the PFI would have to show improvement.
- (6) Foreign Banks, operating in Bangladesh, will not be eligible to apply for 100% credit under the proposed project. However they can participate in syndication funding up to 49% of the total exposure of single credit.

The eligibility criteria for the proposed IPFF have been prepared in line with the criteria mentioned in OP 8-30 of the World Bank.

Criterion 1: Compliance with relevant and prudential regulations of Bangladesh

The PFI must hold a valid license from Bangladesh Bank to operate as a bank or NBFIs. In case of institutions also operating as a merchant bank, must have a valid license from 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 IPO
- Date of listing on stock exchanges (DSE & CSE)
- List of directors along with shareholdings

Criterion 2: Adequacy of provisions

Requirement:

- The PFI has to compare the amount of provision required by BB regulations and the amount of provision made by the PFI.

Noted Points:

- 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 - compare criteria 9 & 14. If there is a difference among the portfolio figures used in these three criteria, 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

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

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

Applicable for banks only. The commercial banks must show the detailed calculation of risk-weighted assets and breakdown of total capital. IPFF expects the minimum capital adequacy ratio to be 9%.

Criterion 5: Debt / Equity Ratio

IPFF expects the ratio to be maximum of 10 times for PFIs operating for at least 5 years and 5 times for PFIs operating for less than 5 years (but not less than 3 years).

$$\text{Debt / equity ratio} = \frac{\text{Long term monetary liabilities at the end of a period}}{\text{Shareholders' equity at the end of the same period}}$$

Monetary liabilities would include all the outstanding components including the current portions. The maximum debt / equity ratio under Bank projects would not normally exceed 10 times, with a lower ceiling of FIs with a relatively shorter track record.

Noted Points:

- The PFIs must consider lease advances, lease deposits, term deposits as liabilities.
- Non-monetary liabilities such as deferred liabilities should be excluded.
- Current liabilities such as payable and accrued expenses should not be included.

Criterion 6: *Comparison between the weighted average life of monetary liabilities with weighted average life of credits*

IPFF expects that the weighted average life of monetary liabilities should at least be longer than the weighted average life of credits.

Noted Points:

- The PFIs have to show the comparison between weighted average life of monetary liabilities and weighted average life of credits.
- Monetary liabilities should include all long and short-term sources of funds such as bank loans - including funds from the call-money market, deposits, advances, overdraft, etc. (but not shareholders' equity). Non-monetary liabilities should not be included.
- Credits should include total credit, advance and investment portfolio.
- The calculation should be based on actual term of the lease / loan / credit line and principal outstanding amount of lease / loan / credit line.
- In case of deterioration of the situation compared to the previous year, the PFIs would have to provide explanation and specify the mitigating factors.

Criterion 7: *Mismatched foreign currency position*

Only applicable for PFIs dealing in foreign currency. The “long” and “short” foreign currency position at the end of the period should not exceed the stated ratio in relation to stockholders' equity at the end of the same period. The “long” and “short” position should be computed for both the total foreign currency position and the cross currency positions, and the resulting ratios should not exceed 5% of equity.

Noted Point:

- The IPFF will accept calculations using total equity, but this should not include proposed/paid dividends as per criterion 3.

Criterion 8: *Collection ratio*

IPFF expects ratio to be minimum of 80%.

Computed as:
$$\frac{\text{Total cash collections from on balance sheet term credits for a period}}{\text{Total receivables from on balance sheet credits for the same period}}$$

“Total cash collections”

- (a) include current cash collection, i.e.
 - (i) cash collections from receivables due during the period, and
 - (ii) cash collections on past due receivables,

(b) but exclude rescheduling.

“Total receivables” exclude term credits, which are in litigation.

Noted Points:

- The PFIs should show detail calculation regarding derivation of the key figures.
- The PFIs should use the actual figures rather than the figures provided in the annual accounts - which are sometimes different due to various accounting treatments that might be applied. In the event that the figures differ, an explanation should be provided.
- The PFI should consider the opening & closing accounts receivable and repayments against those during the year.

Criterion 9: *Portfolio infection ratio & Portfolio delinquency status*

IPFF expects the portfolio infection ratio to be not greater than 20%.

Computed as:
$$\frac{\text{On balance sheet term credit portfolio affected by arrears at the end of a period}}{\text{Total on balance sheet term credit portfolio at the end of the same period}}$$

The word “arrears” is defined to mean unpaid interest, principal or loan/lease payments of more than 90 days.

Noted Points:

- A loan / lease is to be considered infected if any payment is overdue for three months or more.
- Total infected portfolio amount consists of total principal outstanding plus the overdue amounts - not just the overdue instalments.
- The PFI would have to show product-wise breakdown of the portfolio amount (such as lease finance, term loan, etc.).
- Short-term lending and equity investments would be deducted from the total portfolio amount for this calculation. The amount deducted should be shown so that the IPFF can reconcile the portfolio figure in criterion 9 with the figures provided for criteria 2 & 14.

The PFI would also provide a list of loans / leases with overdue rental / instalment for 30 days and more, showing the following information.

- Original loan / lease amount
- Execution date (not date of signing the agreement)
- Loan / lease term
- Instalments due
- Instalments outstanding
- Total overdue amount
- Principal amount outstanding

Criterion 10: *Debt service cover ratio*

Not applicable for commercial banks. IPFF expects the ratio to be minimum of 1.25 times.

Computed as:

$$\frac{\text{Earnings before tax \& interest + non-cash expenses + cash collections from on balance sheet term credits}}{\text{Interest expenses + principal payments associated with on balance sheet term credits}}$$

Noted Points:

- Include principal payment for all credit sources, including term deposits. Under current BB regulations NBFIs term deposits cannot be less than one year and therefore they should be considered as term funding. Where there is a strong case to suggest that a certain percentage/volume of term deposits are always rolled for a further period this can be specified in a separate explanatory note.
- Interest payment, in gross figure, for all credit sources should be considered.

Criterion 11: *Single borrower exposure (as % of capital)*

IPFF expects the highest single borrower exposure to be less than 35% of capital for banks and to be less than 30% of capital for NBFIs.

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.
- For leases, consider net lease receivable / unrealized principal amount as exposure, not gross receivable.
- Cash securities could be deducted to calculate net exposure, however the FI would need to specify both gross and net exposures in the assessment.

Criterion 12: *Business group borrower exposure (as % of capital)*

IPFF expects the highest group borrower exposure to be less than 35% of capital for banks and to be less than 30% of capital for NBFIs.

“Business Group” is defined to include all interlocking investments, directorships and office positions.

Noted Points:

- All points of criterion 11, as above.
- If an PFI has business transactions with at least two concerns of the same group, the group name would be listed under this criterion. But if they have business with only one company, even if the company is the member of a group, it should not be included in the group list, but only in the single borrower list under criterion 11.
 - The definition of a “group” is:
 - i) Two or more companies where one director or shareholder controls 50% or more shares of each company; or
 - ii) Where a person, firm, corporation, company or group of companies exercises control or influence over another company, then both/all are considered a group.

Criterion 13: *Insider lending ratio (as % of capital)*

IPFF expects the ratio to be less than 25% of capital.

Noted Points:

- The auditors’ would have to certify that BB definition of ‘insider lending’ has been followed.
 - The PFI would 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 14: *Industry / sub-sector exposure (as % of total portfolio)*

IPFF expects highest exposure in a single industry / sub-sector not to be higher than 35% of total portfolio.

Noted Points:

- Total exposure in all sectors should match with the total portfolio amount used earlier. Compare with criteria 3 & 9.
- The PFI could classify the sectors as per the company policy. However when a PFI shows two or more sectors separately, where the IPFF believes them to be closely related, the IPFF may combine them.

Criterion 15: *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 16: *Policy documents to establish professional and sound management*

- Resource diversification and mobilization (external funding) plan for the next year
- PFI's procedures for –
 - Credit approval
 - Risk management
 - Collection & monitoring
 - Asset – liability management
 - Mobilize domestic resources
 - Internal audit & control
 - Marketing visits / Inspections
 - Annual review of credit
- PFI's policies for
 - Single / group / sector exposure limit
 - Insider lending
 - Insurance of funded assets
 - DOE clearance
 - CIB
- Management Information System: Small write-up

The self-assessment must confirm an PFI is meeting its commitments under this criterion and the IPFF may, in its discussion with a PFI, make further enquiries, as it deems necessary.

Noted Points:

- PFIs must comment on the status of each of these topics including –
 - How management addresses each of these issues;
 - Any significant plans in these areas for the coming year; and
 - What has been achieved in these areas in the year under review

- PFIs must provide a copy of their current Corporate Strategy Statement
- PFIs must comment on capacity, including staffing, for carrying out subproject appraisal (including environmental assessment) and for supervising subproject implementation.

Criterion 17: PFIs loan approval procedures include certification of appropriate Department of Environment clearance

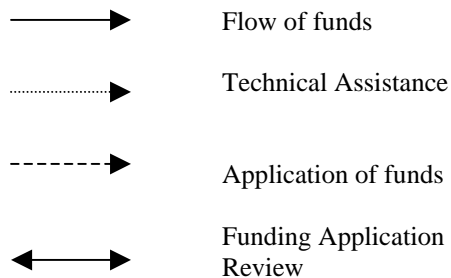
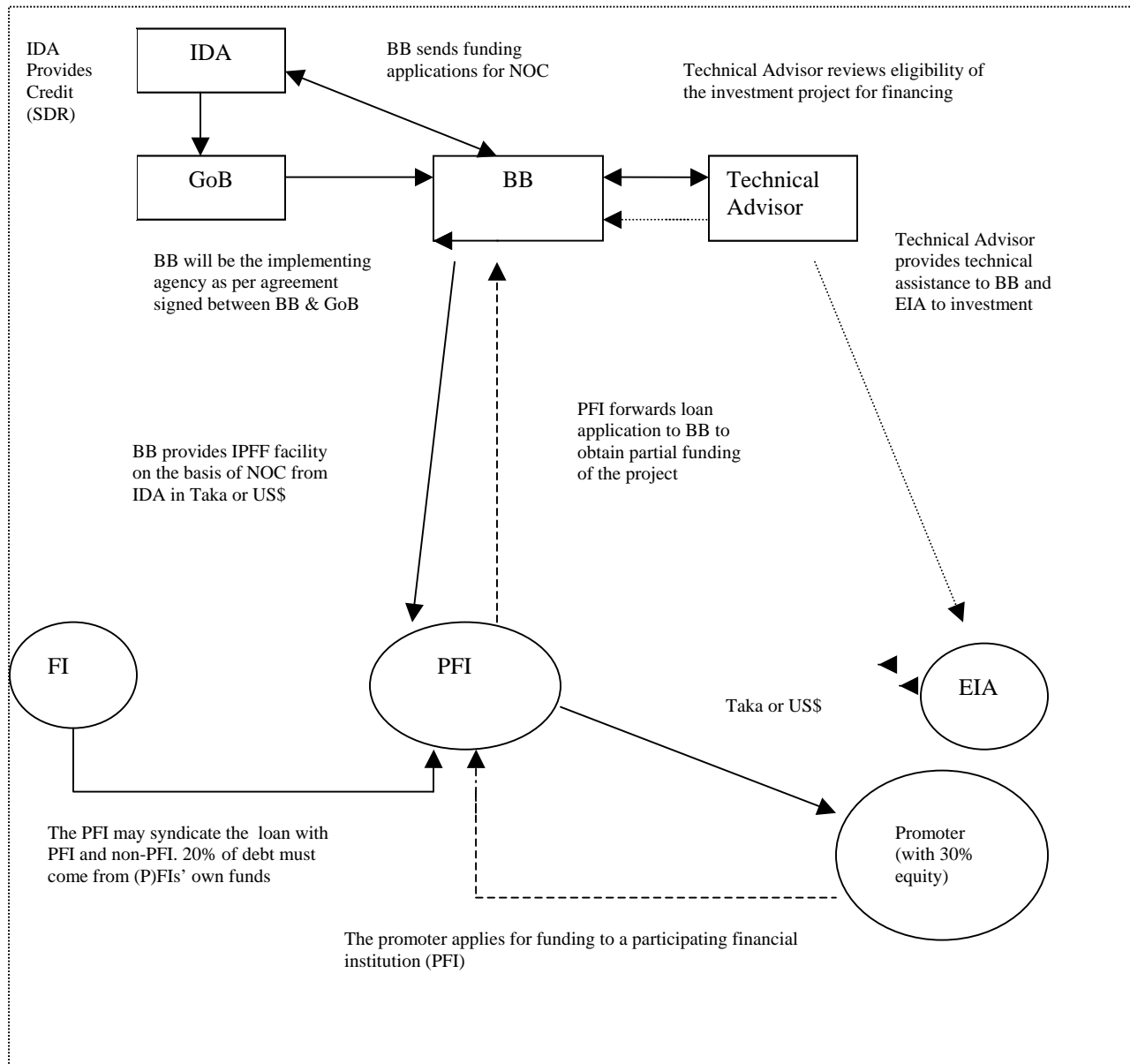
IPFF funding is not available to an PFI unless the necessary documents are submitted to evidence DOE certification. However the PFI is also to ensure that all lending (whether it is funded by the IPFF or not) meets with this requirement. The self-assessment should describe how the PFI's procedures achieve verification of required DOE clearance. PFIs must also specify who is responsible for Environmental Compliance.

Criterion 18: Annual external auditors' certification as to compliance with quantitative eligibility criteria

The participating financial intermediaries (PFI) have to submit their eligibility assessment based on the current year-end accounts every year within the period specified by IPFF.

Annexure 2

The Figure below summarizes IPFF Implementation arrangements



Key agreements governing IPFF

- Between GoB and IDA : Financing Agreement
- Between GoB and BB : Administration Agreement
- Between BB and Technical Advisor : Technical service Agreement
- Between BB and the PFIs : Master Facility Agreement

Annexure 3**Documentation Checklist**

Sl. #	Documents	Reference
01	Application Letter from PFI stating amount of funding requested and a precise description of the project cost	
02	A copy of the summary details of Investment Project as per Annexure 6	
03	Confirmation that PFI has agreed with IE in writing as per Annexure 7	
04	Copy of investment project/Request from IE to PFI	
05	Copy of Investment Project Appraisal which states, inter alia, the benefits to be derived from IE, project cost and financial plan	
06	Copy of PFI's draft Sanction Letter, which includes the proposed terms and conditions of the Investment Project	
07	Copy of the Draft Agreement to be made between the PFI and the Investment Enterprise (copy of the signed agreement will be provided to BB in due course)	
08	Investment Project Payment/Amortization Schedule (tentative)	
09	Arrangement of Insurance policy for usual risks(e.g. fire, theft, flood, riot, public liability etc., as applicable) in the name of PFI as lender or payable to PFI (copies of appropriate documents will be provided to BB in due course)	
10	Whether EIA done or not	
11	PFI's own Environmental Assessment available or not	
12	Clearance Certificate of DOE enclosed or not	
13	Clean, current Credit Information Bureau Report on IE (no more than 90 days old from the submission of proposal), all local shareholder Directors and associated companies.	
14	Undertaking of PFI and IE that the assets will be procured as per procedures described in the OD under the proposed financing (copies of appropriate documents will be provided in due course)	
15	Copy of evidence that the proposed Investment Loan does not include activities of a military or paramilitary nature or activities in the SITC groups or subgroups as described in 6(e) of SCHEDULE 5 of the Financing Agreement between GoB and IDA	
16	Arrangement of utilization of 30% equity of the IE and contribution from PFI's own resources and other institutions (supported documents will be provided to BB in due course)	
17	Procurement Plan of the IE's enclosed or not	
18	Whether the Investment Project located inside a protected area or not	
19	Whether the Investment Enterprise owns the land where the Investment Project will be developed	
20	Confirmation of PFI that repayments on existing other Loans/Leases to the IE and its Group members are up to date	
21	Inspection Report regarding utilization of 2nd installment/3rd installment	

Excluded Investment Projects

Recognizing the limited national capacity to manage environmental and social risks, and the requirements of World Bank policies, the following agreements have been reached regarding investment project types ineligible for support under the IPFF.

- No activities on the IFC/MIGA exclusion list will be financed;
- No investments entailing involuntary resettlement as defined under World Bank OP 4.12 will be financed;
- No investments inside protected areas will be financed.

[Ref: Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004]

**Procurement under BOO/BOT/BOOT,
Concessions and Similar Private Sector
Arrangements**

3.13 Where the IPFF is participating in financing the cost of a project procured under a BOO/BOT/BOOT⁵⁵, concessions or similar type of private sector arrangement, either of the following procurement procedures shall be used, as provided for in the Loan Agreement and further elaborated in the Procurement Plan approved by IDA:

- a) The concessionaire or entrepreneur under the BOO/BOT/BOOT or similar type of contract⁵⁶ shall be selected under ICB procedures acceptable to IDA, which may include several stages in order to arrive at the optimal combination of evaluation criteria, such as the cost and magnitude of the financing offered, the performance specifications of the facilities offered, the cost charged to the user or purchaser, other income generated for the Borrower or purchaser by the facility, and the period of the facility's depreciation. The said entrepreneur selected in this manner shall then be free to procure the goods, works, and services required for the facility from eligible sources, using its own procedures. In this case, the Project Appraisal Document, and the Loan Agreement shall specify the type of expenditures incurred by the said entrepreneur towards which IDA financing will apply.

Or,

- b) If the said concessionaire or entrepreneur has not been selected in the manner set forth in subparagraph (a) above, the goods, works, or services required for the facility and to be financed by IDA shall be procured in accordance with ICB procedures defined in Section II.

55 BOO: Build, Own, Operate; BOT: Build, Operate, Transfer;

BOOT: Build, Own, Operate, Transfer.

56 For projects such as toll roads, tunnels, harbors, bridges, power stations, waste disposal plants, and water distribution systems.

[Ref: Guidelines: Procurement under IBRD Loans and IDA Credits, May 2004]

Eligibility

1.8 As exceptions to the foregoing:

(c) Government-owned enterprises in the Borrower's country may participate only if they can establish that they (i) are legally and financially autonomous, (ii) operate under the commercial law, and (iii) are not dependent agencies of the Borrower.

Name of the PFI:

i) Description of the IE and Appraisal of the IP		
01	Name of IE	
02	Legal Status	
03	Nature of business	
04	Sub-sector	
05	Location	
06	Group Name	
07	Project cost	
08	Loan or Lease	
09	Loan/Lease amount	
10	Total IE group exposure	
11	Precise description of assets to be financed	
12	Procurement practice	(established commercial practice)
13	Country of origin from where assets to be procured	
14	IE repayment record	
15	Financial plan	
16	Forecast cash flow (years 1-3)	
17	Forecast profitability (years 1-3)	
18	IE-PFI relationship	(new or existing)
19	Insurance status	
20	Environmental compliance status	
ii) Terms and conditions of the Loan/Lease financing		
21	Period of Loan/Lease	
22	Grace period	
23	Maturity date	
24	Interest rate	
25	Description of Security	
26	Repayment /Amortisation schedule	

Annexure 07

i)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/BB/IDA will have the right of inspection .

ii)The PFI shall obtain the right to inspect , by itself or jointly with representatives of the IDA and BB, such assets and sites, works, plants and construction included in the Investment Project, the operation thereof, and any relevant records and documents.

iii) The PFI shall obtain the right to obtain all such information as BB, the IDA or the PFI reasonably request relating to the foregoing and to the administration, operation and financial condition of the IE and to the benefits to be derived from the Investment project.

iv)The PFI shall obtain the right to suspend or terminate the right of the IE to the use of IDA funding upon failure by the IE to perform its obligations under contract with the PFI.