

PaCT II: Partnership for Cleaner Textile II

Key results:

[Examples of key result planned to be achieved at the end of project:]

- Water use avoided - 10.87 million m³/year
- Wastewater discharge reduced - 10.02 million m³/year
- Energy use avoided - 1.3 Million MWh/year
- GHG emissions reduced - 241,160 Tonnes eCO₂ / year
- Chemical usage avoided - 10,000 Tonnes
- Financing facilitated - USD 24 million

Justification for support:

[Why is this support necessary and relevant, how does it relate to Danish and partner country priorities:]

- The engagement is relevant because it addresses the key challenge for Bangladesh - climate change mitigation. Climate change is a strategic priority and the GoB has formulated the Bangladesh Climate Change Strategy and Action Plan.
- The scope of the program is in alignment with the SDG targets – SDG 6, SDG 7, SDG 9 and SDG 13
- Sustainable energy use remains of critical importance to the Bangladesh economy. Availability and the rising price of gas is a significant and growing constraint on the growth of industrial activity.

Major risks and challenges:

Few risks are outlined below. For a detailed analysis including mitigation measures, please refer to the program document.

- Lack of client's absorptive capacity to implement the project (e.g., client lacks sufficient resources, staff, knowledge or skills to implement the project) due to competing priorities or inefficient corporate management support.
- Many factories continue to use hazardous chemicals in their production processes. If factories do not move to alternate and safer chemicals they risk losing business with the brands who are affiliated with ZDHC.
- Political turmoil is anticipated as the current elected government is nearing completion of its term. However, as in previous political impasse, factories remain in operation. Despite this, the program anticipates delays in activities particularly in terms of timely organization of on-site factory visits, factory focused meetings, learning workshops, etc.
- Bangladesh Garment Manufacturers and Exporters Association (BGMEA) may not be an effective implementer of the Textile Technology Business Centre.

File No.	2018-7661						
Country	Bangladesh						
Responsible Unit	Dhaka						
Sector	Sustainable Energy Engagement						
Partner	International Finance Corporation (IFC)						
	<i>DKK mill.</i>	2018	2019	2020	2021	2022	Tot.
Commitment		20					20
Projected ann. disb.		10	5	5			20
Duration	2018-2021 (4 years)						
Previous grants							
Finance Act code	06.34.01.70						
Head of unit	Mikael Hemniti Winther						
Desk officer	Farhana Ruma						
Financial officer	Mads Ettrup						

Relevant SDGs: SDG 6, SDG 7, SDG 9 and SDG 13

 No Poverty	 No Hunger	 Good Health, Wellbeing	 Quality Education	 Gender Equality	 Clean Water, Sanitation
 Affordable Clean Energy	 Decent Jobs, Econ. Growth	 Industry, Innovation, Infrastructure	 Reduced Inequalities	 Sustainable Cities, Communities	 Responsible Consumption & Production
 Climate Action	 Life below Water	 Life on Land	 Peace & Justice, strong Inst.	 Partnerships for Goals	

Strategic objectives:

Deepen Cleaner Production (CP) interventions and enhance competitiveness of the sector through a programmatic approach across the entire value chain of the textile sector of Bangladesh including textile mills, wet dyeing and finishing units and garment factories

Justification for choice of partner:

IFC is a concern of World bank group. IFC was funded by Embassy previously to a W2E project. Lessons from the partnership with IFC has lead new engagements under the country programme.

Summary:

The proposed four-year PaCT II Program will address market failures identified in the areas of energy supply, water use and pollution, weak enabling environment and access to finance, as well as stimulate investment in REF technologies and processes, and raise awareness on REF best practices and policies. The Program will operate through three objectives: (A) Firm Level Advisory; (B) Group of Firm Level Advisory through the TTBC; and (C) Enhancing Sector Competitiveness.

Objective A (firm level advisory) addresses the market failures in water and energy through factory-level engagements and brand engagements. Objective B (groups of firm-level advisory) rendered through the TTBC addresses the knowledge and information gap prevailing in the sector with regards to resource efficiency. The overall aim is to create a global knowledge base and support knowledge transfer within the sector. Objective C (sector competitiveness) will strive to build the enabling environment that will catalyze better uptake of resource efficient technologies across the sector. (Section VII Monitoring and Evaluation includes a detailed theory of change / intervention logic that explains outcomes, outputs and assumptions as they relate to the three objectives.)

Budget:

Output 1	[insert DKK mill.]
Output 2	[insert DKK mill.]
Output 3	[insert DKK mill.]
Output 4	[insert DKK mill.]
Output 5	[insert DKK mill.]
Total	[20 DKK mill.]

ADMINISTRATION AGREEMENT
BETWEEN
DENMARK - ROYAL MINISTRY OF FOREIGN AFFAIRS (DANIDA)
AND
INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT OF
A PROGRAM OF ADVISORY SERVICES
RELATING TO
PARTNERSHIP FOR CLEANER TEXTILE PHASE II

AGREEMENT dated as of _____, between DENMARK - ROYAL MINISTRY OF FOREIGN AFFAIRS (DANIDA) (the “Donor”) and INTERNATIONAL FINANCE CORPORATION (“IFC”), an international organization established by its member countries (including) and a member of the World Bank Group¹ (“WBG”), to provide for the creation of a trust fund, identified by the name PACT II - DANIDA and by the number TF073020 (the “Trust Fund”), to finance Partnership for Cleaner Textile Phase II.

WHEREAS:

(A) IFC has established a program called Partnership for Cleaner Textile Phase II (the “Facility”). The objectives of the Facility are:

- i. PaCT II aims to deepen cleaner production interventions and enhance competitiveness of the sector through a programmatic approach across the entire value chain of the textile sector of Bangladesh including textile mills, wet dyeing and finishing units and garment factories. This will be done through adoption of resource efficient technologies and practices which will lead to cost savings and operational efficiencies through reduced water, energy and chemical use and GHG emissions.

(B) The Donor has expressed strong support for the Facility and wishes to provide funding for the activities undertaken by IFC under such Facility

¹ The World Bank Group consists of the International Finance Corporation (IFC), the International Bank for Reconstruction and Development (IBRD), the International Development Association (IDA), the Multilateral Investment Guarantee Agency (MIGA), and the International Centre for Settlement of Investment Disputes (ICSID)

(C) IFC is prepared to utilize funds provided by the Donor for the purpose of financing a PACT II - DANIDA (the "Activities") within the framework of the Facility. IFC will utilize such funds in accordance with IFC's standard policies and procedures and in accordance with the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto agree as follows:

1. The Grant

- 1.1. The initial contribution of the Donor under this Agreement is twenty million Danish Kroner (DKK 20,000,000).
- 1.2. The Donor may later agree with IFC to contribute additional funding support for the Activities, which will be governed in all respects by this Agreement unless otherwise agreed.
- 1.3. The initial contribution and any subsequent funding from the Donor under this Agreement together with any income from investment and reinvestment will be referred to as the "Grant Funds" in this Agreement.

2. The Activities

- 2.1. The Activities to be funded out of the Trust Fund are described in Annex A attached to this Agreement. The parties may agree to adjustments within the overall budget of the Activities and to changes to the scope, content, timing and cost of the Activities. Such changes will be recorded by a revision of Annex A, duly signed and dated by the representatives of the Donor and IFC.
- 2.2. The Activities are currently projected to be carried out until December 31, 2021. However, the implementation of the Activities may be extended beyond that date by agreement of the parties.
- 2.3. The Grant Funds will be utilized by IFC to meet the costs of the Activities in accordance with IFC's applicable procedures. Such costs will include associated overheads, consultant fees individuals and firms, contractual services, equipment and office premises lease cost, equipment purchased, field assignment benefits, grants, media, workshop, conference and meet, staff costs, temporary support staff costs, travel expenses, termination costs specified in paragraph 5.2, and any other costs, incurred in the implementation of these Activities. Grant Funds may be utilized for the payment of salaries and benefits for WBG's staff and consultants only to the extent that their work is dedicated to the implementation of the Activities.
- 2.4. The selection and recruitment of consultants, consulting firms, experts, staff and other suppliers of services will be the responsibility solely of IFC and will be carried out in accordance with its usual procedures and will not be tied by nationality.
- 2.5. IFC may seek funding from sources other than the Donor for the implementation of the Activities and/or for implementation of specific components of the Activities.
- 2.6. The Trust Fund will fund activities that have a potential to generate fees from clients in the future. The client fees paid to IFC, to the extent they result from the activities funded by the Trust Fund, will be set aside and utilized by IFC to support activities under the Facility. Upon termination of

the Trust Fund, any unused portion of such client fees may then be used by IFC in accordance with its sole discretion.

3. Disbursement and Deposit of Funds

3.1. The Donor's initial contribution under this Agreement will be disbursed as follows:

<u>Amounts</u>	<u>To be disbursed to IFC on/or before:</u>
DKK 5,000,000	Upon signing the Agreement
DKK 5,000,000	October 31, 2018 on submission of the donor report (Inception – June 18)
DKK 5,000,000	October 31, 2019 on submission of the annual donor report (July 18 – June 19)
DKK 5,000,000	October 31, 2020 on submission of the annual donor report (July 19 – June 20)

3.2. A written disbursement request will be submitted by IFC for each disbursement of the Donor's contribution. Except for the first disbursement, any disbursement request may be submitted by IFC before full utilization of the previous disbursement, and will be processed expeditiously by the Donor to ensure that the implementation of any components of the Activities does not face any funding shortfalls or delays.

3.3. Amounts disbursed by the Donor will be deposited into such account with such bank designated in the corresponding disbursement request submitted by IFC.

When making deposits, the Donor will instruct their bank to include in their payment details information (remittance advice) field of their SWIFT payment message, information indicating:

- a. the amount paid,
- b. that the payment is from the Donor for PACT II - DANIDA, Trust Fund Nr. TF073020 and
- c. the date of the deposit.

In addition, the Donor will send a copy of its payment request to IBRD's Trust Funds Division (by fax to +1-202-614-1315 or by email to tfremittadvice@worldbank.org) and by fax to the Controller, IFC Finance Department, Dhaka Fax Nr. +8802 9894744

3.4. Upon receipt of the Grant Funds, if funds are received in a currency other than United States dollars, the funds will be converted into United States dollars. All financial reports will be prepared in United States dollars. All Grant Funds may be freely exchanged into other currencies as may facilitate their disbursement by IFC.

3.5. The Grant Funds will be accounted for as a single trust fund. IFC will have the right to commingle the funds in the Trust Fund with other trust funds assets maintained by IBRD and IFC, provided however that all such assets will be kept separate and apart from those of IBRD and IFC.

3.6. IFC may establish sub-accounts within the Trust Fund for separate components of the Activities. Grant Funds may be allocated to these sub-accounts, and subsequently may be reallocated between sub-accounts by IFC.

- 3.7. Notwithstanding paragraph 2.3 above, at the time of receipt of each contribution from the Donor, five percent 5% of the amount received will be deducted from the amount received and retained by IFC as a fee to help cover the costs of administration and other expenses incurred by IFC.
- 3.8. IBRD, on behalf of IFC, may invest and reinvest the Grant Funds pending their application. The income from such investment and reinvestment will be credited to the Trust Fund for use for the purposes of the implementation of the Activities.

4. General Provisions, Reporting and Auditing

- 4.1. IFC will exercise the same care in the discharge of its function under this Agreement as it exercises with respect to the administration and management of its own affairs and will have no further liability to the Donor, including, without limitation, any duties or obligations that might otherwise apply to a fiduciary or trustee under general principles of trust or fiduciary law.
- 4.2. IFC will have sole responsibility for the supervision and execution of the Activities and will report to the Donor of the progress of the Activities. The format and content of the reports will be consistent with the IFC's accounting system.
- 4.3. IBRD, on behalf of IFC, will maintain separate records and accounts in respect of the Grant Funds and funds disbursed from it by IFC pursuant to the provisions of this Agreement. IBRD, on behalf of IFC, will make available to the Donor current financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Grant Funds via the World Bank's Trust Funds Development Partner Center secure website (<https://clientconnection.worldbank.org>). Within six (6) months after all commitments and liabilities under this Trust Fund have been satisfied and the Trust Fund has been closed, the final financial information relating to receipts, disbursements and fund balance in United States dollars with respect to the Trust Fund will be made available to the Donor via the World Bank's Trust Funds Development Partner Center secure website. IBRD, on behalf IFC, will provide to the Donor, within six (6) months following the end of each IFC's fiscal year, an annual single audit report, comprising (1) a management assertion together with an attestation from the WBG's external auditors concerning the adequacy of internal control over cash-based financial reporting for all cash-based trust funds as a whole; and (2) a combined financial statement for all cash-based trust funds together with the WBG's external auditor's opinion thereon. The cost of the single audit will be borne by the WBG. In addition, if the Donor wishes to request, on an exceptional basis, a financial statement audit of the Trust Fund by WBG's external auditors, the Donor and IFC will first consult as to whether such an external audit is necessary. The Donor and IFC will agree on the most appropriate scope and terms of reference of such audit. Following agreement on the scope and terms of reference, IFC will arrange for such external audit. The cost of such an audit, including the internal costs of IFC with respect to such audit, will be borne by the Donor.
- 4.4. IFC shall, consistent with its policies and procedures, take all appropriate measures to prevent corrupt, fraudulent, collusive, coercive and obstructive practices in connection with the use of the Trust Fund funds, and include provisions in its agreements with recipients to give full effect to the relevant IFC guidelines on fraud and corruption.
- 4.5. In the event that IFC determines that there are credible and material allegations of fraud, corruption, collusion or coercion in relation to IFC-executed activities financed by the Trust Fund that result in the WBG opening an investigation into such allegations (an "Investigation"), IFC shall, in accordance with its applicable policies and procedures:
 - (i) take timely and appropriate action with respect to such allegations and, where relevant, seek appropriate redress, including potential sanctions;

- (ii) as soon as practicable, inform the Donor of the outcome of the Investigation, provided that the Donor agrees to keep such information confidential pursuant to Section 6 of this Agreement, unless such information is already publicly available;
 - (iii) on a case by case basis, decide whether to share information with the Donor on an active Investigation, and provided that the Donor agrees to keep such information confidential pursuant to Section 6 of this Agreement;
 - (iv) take all necessary actions to recover funds that are the subject of an Investigation where IFC has determined it as appropriate; and
 - (v) to the extent that any funds are refunded to the Trust Fund following an Investigation, IFC shall use such funds for the same purposes as the Grant Funds, unless otherwise agreed between IFC and each Donor.
- 4.6. Any Donor may review or evaluate activities financed by the Trust Fund. The Donor and IFC shall agree on the scope and conduct of such review or evaluation, and IFC shall provide all relevant information within the limits of IFC's applicable policies and procedures. All associated costs, including any costs incurred by IFC, shall be borne by the Donor. It is understood that any such review or evaluation shall not constitute a financial, compliance or other audit of the Trust Fund.

5. Duration and Termination

- 5.1. Subject to paragraphs 5.2 and 5.3 below, this Agreement will continue to be in effect until the Grant Funds will have been fully utilized by IFC in accordance with the terms of this Agreement and each of the parties has fully satisfied its obligations under this Agreement, unless otherwise agreed between the Donor and IFC.
- 5.2. Either party may at any time, by ninety (90) days' notice in writing, terminate this Agreement in whole or cancel any portion of the undisbursed and uncommitted Grant Funds, in which event IFC will have no claim against the Donor by reason of such termination or cancellation other than payment of expenses actually incurred or committed under this Agreement prior to the date of such termination or cancellation, less any sums previously paid on account thereof. Such expenses will include, but not necessarily be limited to, all shutdown costs and final report, payout of staff and consultant contractual salaries and benefits (collectively, "Termination Costs"). IFC may deduct these Termination Costs from the Grant Funds. Such termination or cancellation will not affect any agreements entered into between IFC and staff and consultants, other persons or third parties prior to IFC's giving or receiving such notice of termination or cancellation, and where such agreements cannot be cancelled IFC will be entitled to continue to make disbursements and receive further disbursements from the Donor in respect of such agreements as if this Agreement had not been so terminated or the Grant Funds or any portion of them not been cancelled, provided that: (i) IFC has fulfilled all its duties, responsibilities and obligations to the date of termination or cancellation, as specified in this Agreement and; (ii) the implementation of the Activities was not unilaterally terminated by IFC without consultation with the Donor.
- 5.3. If any portion of the Grant Funds remains in the Trust Fund after the termination date specified in paragraph 2.2 above or in the event of an earlier termination of this Agreement or of the implementation of the Activities, IFC and the Donor will agree on the disposition of these funds. In the event that IFC and the Donor do not reach any agreement on the disposition of any remaining funds, IFC will return to the Donor any unutilized and uncommitted portion of the Grant Funds, and will provide a final report to the Donor promptly thereafter. IFC will have no liability to the Donor

under this Agreement except for the return of unutilized and uncommitted funds after application to costs, including Termination Costs, contemplated under this Agreement.

- 5.4. If in the reasonable opinion of a Donor, IFC has failed to comply to a material extent with its obligations under this Administration Agreement, the Donor and IFC agree to discuss the non-compliance with a view to resolving the matter. If IFC and the Donor fail to agree on the measures to be taken or IFC fails to take relevant measures as may be agreed between the Donor and IFC, the Donor may, upon thirty (30) days prior written notice, withhold all or any portion of an installment that has not yet been disbursed to IFC, until such time as the measures have been taken.
- 5.5. Following completion or termination of the implementation of the Activities, any equipment purchased for the Activities will be either transferred to the beneficiaries or will be used or disposed of in accordance with normal IFC procedures.

6. Acknowledgements

- 6.1. Subject to paragraph 6.2, IFC and the Donor agrees that Donor may make the Administration Agreements publicly available and that any related information on this Trust Fund in IFC's and the Donor's possession may be publicly disclosed by either IFC or the Donor in accordance with and subject to (i) IFC's policies and procedures with respect to any such information in IFC's possession; and (ii) the Donor's applicable laws with respect to any such information in the Donor's possession.
- 6.2. Notwithstanding paragraph 6.1 above, neither IFC nor the Donor shall publicly disclose information in their respective possession related to the Trust Fund that has been indicated or marked in writing by either party as confidential, unless prior written consent has been obtained from the party providing the information or the Donors are otherwise obliged to do so under applicable laws with respect to information in their possession, in which case the Donors shall notify IFC accordingly prior to such disclosure.
- 6.3. Notwithstanding paragraphs 6.1 and 6.2 above, the information provided under paragraphs 4.5 (ii) and 4.5 (iii) shall be subject to the terms of confidentiality accompanying such information, and the Donor shall not disclose such information outside the office to which the information is provided, unless: (i) prior written consent has been obtained from IFC; or (ii) the Donor is obliged to do so in accordance with applicable laws, in which case the Donor shall notify IFC accordingly prior to such disclosure. If the Donor is not able to commit to keep such information confidential in accordance with its applicable laws, then the Donor shall inform IFC accordingly.
- 6.4. Where appropriate to do so, IFC shall acknowledge the Donor's contributions in references made by IFC with respect to the Trust Fund in publications, press releases or other similar written materials.
- 6.5. The Partnership for Cleaner Textile Phase II is not a separate legal entity, but rather is a facility or program of IFC. Nothing in this Agreement is intended to create or imply a legal partnership between or among IFC, the Donor, any other donor and/or any other person.

7. Other Provisions

- 7.1. This Agreement together with Annex A, as amended or supplemented from time to time, constitutes the entire Agreement between IFC and the Donor with respect to the funding and implementation of the Activities.
- 7.2. This Agreement may be amended only by written agreement of the parties hereto.

- 7.3. The Donor and IFC will seek amicably to settle all differences and disputes arising out of or in connection with the implementation of this Agreement.
- 7.4. Any notice or request required or permitted to be given under this Agreement will be in writing and will be given at each party's address as follows:

For the Donor:

Embassy of Denmark, Dhaka
Farhana Ruma / farrum@um.dk
Adviser, Sustainable Energy
Bay's Edgewater, Plot No. NE(N) 12
North Avenue, 6th Floor, GULSHAN 2
DHAKA – 1212, BANGLADESH

For IFC:

International Finance Corporation
Pradeep Patro, Regional Lead South Asia
Development Partner Relations,
6th Floor, Asset No.7, Worldmark 3, Aerocity,
New Delhi - 110037
Fax: + 91 11 4053 1811

With copy to:

The Manager, Advisory Services Support Department
International Finance Corporation
2121 Pennsylvania Ave., N.W.
Washington, D.C. 20433
United States of America
Fax: +1-202-522-7288

IN WITNESS WHEREOF, the authorized representatives of the parties hereto have signed this Agreement.

**INTERNATIONAL FINANCE
CORPORATION**

**DENMARK - ROYAL MINISTRY OF FOREIGN
AFFAIRS (DANIDA)**

By: _____

Name: Wendy Jo Werner

**Title: Country Manager,
Bangladesh, Nepal and Bhutan**

By: _____

Name: Mikael Hemniti Winther

**Title: Ambassador, Embassy of Denmark, Dhaka,
Bangladesh**

ANNEX A
TO THE ADMINISTRATION AGREEMENT
BETWEEN
DENMARK - ROYAL MINISTRY OF FOREIGN AFFAIRS (DANIDA)
AND
INTERNATIONAL FINANCE CORPORATION

FOR

THE FINANCIAL SUPPORT OF
A PROGRAM OF ADVISORY SERVICES
RELATING TO
PARTNERSHIP FOR CLEANER TEXTILE PHASE II

Development engagement document

1. Introduction

Denmark, represented by Dhaka Embassy of the Danish Ministry of Foreign Affairs, is committing DKK. 20,000,000 (20 Million Danish Kroners) for the period of March 2018 to December 2021 in support of Partnership for Cleaner Textile II (2018-21). The Danish support is a segment of the assistance provided under the Climate Resilience and Sustainable Energy Programme under the Danish Country Programme for Bangladesh 2016-2021

2. Development Engagement Objective

The objective of the development cooperation among the parties is to *Deepen Cleaner Production (CP) interventions and enhance competitiveness of the sector through a programmatic approach across the entire value chain of the textile sector of Bangladesh including textile mills, wet dyeing and finishing units and garment factories.*

The Danish Mission will base the actual support on progress attained in the implementation of the engagement as described in the documentation. Progress will be measured through the *International Finance Corporation's* monitoring framework.

For Danida's reporting purposes, the following key outcome and output indicators have been selected to document progress:

Project title		Partnership for Cleaner Textiles – II	
Project objective		Deepen Cleaner Production (CP) interventions and enhance competitiveness of the sector through a programmatic approach across the entire value chain of the textile sector of Bangladesh including textile mills, wet dyeing and finishing units and garment factories	
Outcome		Objective A (Firm level advisory) : RMG sector is more resource-efficient and competitive in the global market	
Outcome indicator		GHG emissions expected to be reduced (metric tons/year) 241,160 Tonnes eCO ₂ /year	
Baseline	Year	2018	0
Target	Year	2019	61,160
Target	Year	2020	130,000
Target	Year	2021	50,000
Total at project end		241,160 Tonnes eCO ₂ /year	
Output		Objective A (Firm level advisory) : RMG sector is more resource-efficient and competitive in the global market	
Output indicator		Number of entities that implemented recommended changes 180 nos	
Baseline	Year	2018	0
Target	Year	2019	30
Target	Year	2020	90
Target	Year	2021	60
Total at project end		180	
Output		Objective A (Firm level advisory) : RMG sector is more resource-efficient and competitive in the global market	
Output indicator		Number of recommended procedures/firm-level policies/practices/standards that were improved or eliminated 1000 nos	
Baseline	Year	2018	0
Target	Year	2019	250
Target	Year	2020	500
Target	Year	2021	250
Total at project end		1000	
Output		Objective B (Group of firm level advisory) through TTBC: A Textile Technology Business Center will provide technological and financial information to factories and facilitate B2B linkages. 20 nos	
Output indicator		Number of B2B linkages	

Baseline	Year	2018	0
Target	Year	2019	6
Target	Year	2020	7
Target	Year	2021	7
Total at project end			20
Output		Objective C (Enhance sector competitiveness) : Catalyze uptake of resource efficient technologies across the textile sector and implementation sustainable reform through public-private dialogue	
Output indicator		Number of recommended procedures/firm-level policies/practices/standards that were improved or eliminated 2 nos	
Baseline	Year	2018	0
Target	Year	2019	1
Target	Year	2020	1
Target	Year	2021	0
			2

3. Risk Management

Some key risks identified is given below along with their mitigation measures. For detailed analysis, please refer to the program document.

CATEGORY: CLIENT OR STAKEHOLDER RISKS
<p>Risk Description: Lack of client's absorptive capacity to implement the project (e.g., client lacks sufficient resources, staff, knowledge or skills to implement the project) due to competing priorities or inefficient corporate management support. (Likelihood – Medium, Impact – High)</p> <p>Mitigation: Factories will be selected based on (i) willingness of the factories to undertake cleaner production initiatives and (ii) Capacity to undertake such tasks and (iii) adequate support from brands to through BGMEA affiliation.</p> <p>As capacity related issues are difficult to assess prior to formal engagement with the factories, the program will initiate discussions with the top management of the factories regarding implementation of the measures and will continue this dialogue throughout the engagement.</p> <p>Under PaCT I, brands were involved in mitigating the risks by refining their action plan for implementing the measures. PaCT II will continue to leverage this approach. In addition, the hands-on implementation support that the program will provide to the factories for six months too can help mitigate this risk.</p> <p>Risk Description: Many factories continue to use hazardous chemicals in their production processes. If factories do not move to alternate and safer chemicals they risk losing business with the brands who</p>

are affiliated with ZDHC. (**Likelihood – Medium, Impact – Medium**)

Mitigation: Chemical management and elimination of hazardous chemicals by 2020 is a major priority for some brands. The ZDHC action plan aims to eliminate use of chemicals in supply chains. IFC will offer chemical management assessment and related training to the factories to help them come up to speed with this issue. IFC will also correspond with the ZDHC signatory brands to make sure that these assessments and trainings are in line with the ZDHC protocol. Consultations with the international brands during pre-implementation will further redefine IFC's role on chemical management/ZDHC initiative.

CATEGORY: EXTERNAL TO IFC RISKS

Risk Description: Political turmoil is anticipated as the current elected government is nearing completion of its term. However, as in previous political impasse, factories remain in operation. Despite this, the program anticipates delays in activities particularly in terms of timely organization of on-site factory visits, factory focused meetings, learning workshops, etc. (**Likelihood – High, Impact – Low**)

Mitigation: The program will apply different mitigation measures as used under PaCT I such as organizing virtual meetings and using guest house facilities inside the factories as and when required for consultants.

IFC will mobilize multiple teams simultaneously and render technical assistance to batches of 20-30 factories at one go) as in the past to mitigate this risk. Additionally, IFC will conduct virtual meetings as required to keep communicating with clients to keep them engaged in the program.

Risk Description: Bangladesh Garment Manufacturers and Exporters Association (BGMEA) may not be an effective implementer of the Textile Technology Business Center. (**Likelihood – Medium, Impact – Medium**)

Mitigation: The program will jointly develop the TTBC governance structure with BGMEA and will include senior BGMEA representation at the TTBC governing body. The governing body will provide strategic direction and input to the TTBC operational plan.

The program will clearly define the roles and responsibilities of the governing body including that of BGMEA representation.

The Program will request BGMEA to designate a dedicated staff as a focal point to regularly communicate about TTBC operations.

CATEGORY: ENVIRONMENTAL AND SOCIAL RISKS

Risk Description: Factories do not meet adequate electrical, fire and structural safety standards (like compliance with the Alliance/ Accord standards) or have other significant labor risks like use of child labor, forced labor or non-payment of minimum wages. (**Likelihood – Medium, Impact – Medium**)

Mitigation: Work with factories which are approved by the buyers and/or industry association.

Risk Description: Lack of significant impact may expose IFC to reputational risk.

Mitigation: The program will assess performance of individual factories monthly through their implementation plans. In addition, all the program results are updated every six months (January to June and July to December) to ensure that progress towards targets are maintained.

4. Inputs/budget

The indicative budget for the overall program is USD 7 Million and will be supported by Denmark, Australia, other donors and client fees. Please see below an indicative budget of the program

USD Amounts	FY18	FY19	FY20	FY21	Total
Total Program					
Staff Cost	250,827	213,826	213,825	213,828	892,306
Consultant Cost	552,802	1,152,669	1,152,668	1,152,668	4,010,807
Travel	72,500	145,834	145,834	145,834	510,002
Contractual Services	98,000	357,333	357,333	357,333	1,169,999
Overheads	69,938	65,646	65,648	65,654	266,886
Development grant	50,000	50,000	50,000	-	150,000
Total Program Cost	1,094,067	1,985,308	1,985,308	1,935,317	7,000,000

1. Staff Cost includes Staff salaries and benefits, including field assignment benefits
2. Consultant Cost includes consultant companies; individual consultants and temporaries
3. Travel includes all travel related expenses for staff, individual consultants, invitees
4. Contractual Services includes Media, workshops, learning events, meetings, Misc. Contractual Services
5. Overheads includes Equipment and building, IT and communication, miscellaneous overheads
6. Development grant includes Grants

Note: The Embassy of Denmark has committed a sum of DKK 20 million and this budget is prepared in US dollars based on the current exchange rates, which may differ from the exchange rates prevailing on the date of actual receipt of Donor contribution amount.

** IFC will inform the embassy if budgets will be reallocated by more than 10% across the cost categories at the aggregate level.

5. Management arrangement

PACT II will be implemented by a strong local team of IFC staff. The team will comprise two Senior members supported by two other IFC staff providing business analysis and administrative support. This core team will also be supported by two Senior Global Private Sector Specialists from IFC. The Local team will also leverage regional and global resources from the regional Energy and Water team leads in the areas of industrial water technology, energy efficiency etc. IFC staff in the areas of M&E, knowledge management and communications, Finance and Legal team will also support the program.

In addition, the team will hire individual and firm consultants to assist in the implementation of the activities. The selection and recruitment of consultants, consulting firms, experts, staff and other suppliers of services will be the responsibility solely of IFC and will be carried out in accordance of the World Bank Group (WBG) Procurement Policy.

IFC will organize development partner meetings to update program progress and achievements twice a year and will also provide annual reports to development partners. The reports will cover the period July to June and will be submitted to partners by end October of the respective year. The Project is scheduled to end in December 31, 2021 and the final report will be submitted to development partners by June 2022. However, under unavoidable circumstances where completion of some of the activities may require more time, IFC would request Embassy of Denmark for a no cost extension.

To develop the strategic partnership between IFC and the Embassy of Denmark, and to facilitate exchange of lessons learned and development of future cooperation, dialogues will be held between the Embassy of Denmark and IFC in Dhaka at mutual convenience as required

6. Monitoring and Evaluation

IFC will design a comprehensive performance monitoring system for the Program in line with its standard operating procedures for project performance monitoring and its standard indicator guidelines. The logical framework for the Program will be developed as part of the design stage. Data sources will include IFC documentary reviews and organizational assessments as well as the clients' Management Information Systems (MIS). IFC ensures regular reporting and information sharing from its clients in its Project Services Agreements prior to the delivery of advisory services.

IFC will carry out semi-annual formal internal reviews for all projects under the proposed program during their implementation phase. These reviews track progress on development results against periodic targets, financial indicators, and the project timeline. Risks and issues are also monitored. The purpose of these internal reviews is for the IFC management team of the program to assess the likelihood of achieving the program objectives by completion and identify areas of improvement and, eventually, course correction.

At project completion, intended results are compared with achieved results. Some results-medium-term outcomes and longer-term impacts-may be unknown at project completion but can be examined post-completion.

Annex 9 - Quality Assurance checklist for appraisal of programmes and projects¹

Instruction : Delete highlighted text before completing this checklist. The checklist must be signed by the desk officer and management of the responsible MFA unit and attached to the grant documents along with the appraisal report. Comments and reservations, if any, may be added below each issue.

File number/F2 reference: 2018-7661

Programme/Project name: PaCT II: Partnership for Cleaner Textile II

Programme/Project period: 2018-2021

Budget: DKK. 20,000,000 (20 Million Danish Kroners)

Presentation of quality assurance process:

Provide a short description of the quality assurance process.

The Climate Change Mitigation and Sustainable Energy Engagement have been subject to a thorough planning and quality assurance process. An appraisal was carried from October 10 to October 20 by a team led by Mr. Jens Fugl from KFU. Mr. Fugl was accompanied by Mr. Lars Mikkel Johannessen and Raymond Colley from EnvClim. The response from the appraisal team was positive for IFC-PaCT II programme. The Embassy has formulated this engagement based on a close dialogue and exchange of views and considerations with IFC. Further, the process was taken through the Embassy's Programme Committee, which also had positive views about the project.

- The design of the programme/project has been appraised by someone independent who has not been involved in the development of the programme/project.
Comments: Yes, Appraisal Team
- The recommendations of the appraisal has been reflected upon in the final design of the programme/project.
Comments: Yes
- The programme/project complies with Danida policies and Aid Management Guidelines.
Comments: Yes
- The programme/project addresses relevant challenges and provides adequate responses.
Comments: Yes
- Issues related to HRBA/Gender, Green Growth and Environment have been addressed sufficiently.
Comments: Yes
- Comments from the Danida Programme Committee have been addressed (if applicable).
Comments: N/A

¹ This Quality Assurance Checklist should be used by the responsible MFA unit to document the quality assurance process of appropriations where TQS is not involved. The checklist does not replace an appraisal, but aims to help the responsible MFA unit ensure that key questions regarding the quality of the programme/project are asked and that the answers to these questions are properly documented and communicated to the approving authority.

The programme/project outcome(s) are found to be sustainable and is in line with the partner's development policies and strategies. Implementation modalities are well described and justified.

Comments: Yes

The results framework, indicators and monitoring framework of the programme/project provide an adequate basis for monitoring results and outcome.

Comments: Yes

The programme/project is found sound budget-wise.

Comments: Yes

The programme/project is found realistic in its time-schedule.

Comments: Yes

Other donors involved in the same programme/project have been consulted, and possible harmonised common procedures for funding and monitoring have been explored.

Comments: Yes, Australia and Netherlands

Key programme/project stakeholders have been identified, the choice of partner has been justified and criteria for selection have been documented.

Comments: Yes

The executing partner(s) is/are found to have the capacity to properly manage, implement and report on the funds for the programme/project and lines of management responsibility are clear.


Comments: Yes

Risks involved have been considered and risk management integrated in the programme/project document.

Comments: Yes

In conclusion, the programme/project can be recommended for approval: yes / no

Date and signature of desk officer:

 **FARHANA RUMA**
3-04-2018

Date and signature of management:

3-4-2018  **MIKAEL WINTHER**