



GUIDELINES FOR PREPARING A CONCEPT NOTE (ERF FUNDING WINDOWS 2 & 3)

1. Introduction to the Export Readiness Fund (ERF)

The ERF is a market access support programme and component of the Export Competitiveness for Jobs (EC4J) Project, funded by the World Bank Group and implemented by the Ministry of Commerce, Government of the People's Republic of Bangladesh. The ERF has a grant funding allocation of US\$10 million and is being implemented over 42 months (January 2020 to June 2023). The ERF provides grants for advisory services, training, and equipment that enables firms to identify and address Environmental, Social and Quality (ESQ) compliance gaps; and upgrade their operations, improve production processes and enhance product quality, as required by buyers/brands and the regulatory standards on the major export markets.

The target export industries for the ERF, which are Government priorities for diversifying Bangladesh's export basket, are small and medium enterprises (SMEs) operating in four targeted sectors: (1) leather and leather goods, (2) footwear (leather and non-leather), (3) plastics and (4) light engineering (covering, for example, firms producing or in the supply chains for electronics and electrical goods, automobiles and parts including motorbikes, bicycles, accumulators and batteries). Eligible firms may be both direct and indirect ('deemed') exporters. The development of ESQ standards is expected to both expand export opportunities and improve the quality of products for local markets.

2. Window 2 – The Small Grant Window

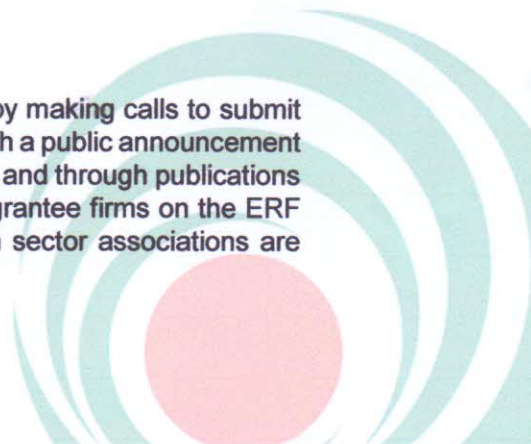
The small grant funding window covers mainly business and technical services with a grant limit of US\$40,000. The grant-to-private contribution ratio is up to 60% from the ERF grant and a minimum of 40% from the grantee firm (cost sharing ratio: 60:40). For any costs of investment that exceed the thresholds stated, the whole additional cost shall be borne by the grantee firm.

3. Window 3 – The Large Grant Window

The large grant funding window covers projects that may include both services and fixed asset expenditures up to a maximum grant of US\$200,000. The grant-to-private contribution ratio is up to 50% from the ERF grant and a minimum of 50% from the grantee (cost sharing ratio: 50:50). Grants under this funding window are subject to a full selection, appraisal and due diligence process. The additional rigor is justified by the greater fiduciary and implementation risks involved for projects of this size and scale. For any costs of investment that exceed the thresholds stated, the whole additional costs shall be borne by the grantee firm.

4. Call for Concept Notes

The ERF Management Unit (MU) launches each funding round by making calls to submit concept notes. The invitations are made on particular dates through a public announcement through an event/webinar, on the ERF website (www.erf-bd.com) and through publications in local print media. Email marketing campaigns to prospective grantee firms on the ERF contacts database and through other channels such as through sector associations are also implemented.





Interested firms (prospective grantees) will prepare their respective applications (including environmental and screening checklists), according to the guidelines and submit to the ERF MU by the set deadline date. As part of the concept note, an applicant must fill-in a screening checklist as an annex, to enable screening of potential impacts of the proposed project.

The ERF MU registers all applications received before and after the deadline for submission, on an ongoing basis. All applications received by the deadline are evaluated. Depending on eligibility, grant concept notes received after the deadline may be held over to next round (if the applicant agrees to that). The status of all applications received by the ERF MU is recorded in the ERF grant management system, with identification numbers provided to them.

Potential applicants can telephone, email or arrange an appointment to meet with an ERF MU official for guidance and clarifications on the application requirements, if required, while an awareness workshop will be organised for potential applicants. A list of frequently asked questions (FAQs) will be added to the ERF website once it is known what the common queries are.

5. Windows 2 and 3 Processing

The process flow for applications under large grants (Window 3) is expected to take slightly longer than small grants (Window 2) due to the additional due diligence required and larger size and scale of proposed projects. The projects should be completed (all goods, services and project activities fully and satisfactorily delivered on site) within nine (9) months from receipt of award for Window 2 and 12 months for Window 3, respectively – subject to funding availability and the projects being completed amply before the ERF programme end date.

Project selection criteria for Windows 2 and 3 are based on projected attributable socioeconomic net benefits, including (a) effect in terms of environmental, social and export quality (ESQ) related impacts; (b) total job creation (including female jobs); (c) private co-investment mobilised; (d) potential increase in exports, including indirect exports; and e), introduction of new products and processes.

6. Window 2 and 3 Concept Note Eligibility Criteria

A: Applicant Eligibility

The applicant firm must -

- ☐ be within the supply chain of leather, leather goods & footwear, plastic products, or light engineering products industry sectors.
- ☐ be an SME having total employees between 31 to 300. Micro and large enterprises having less than 31 or more than 300 employees will be eligible on exceptional basis .
- ☐ be eligible to do business under a valid trade license and certificate of incorporation (if applicable).
- ☐ have an operational factory for at least last three years.



- ☐ have a majority privately owned ownership unless an effective private-public partnership is in place (through licensing, leasing or contract).
- ☐ have a TIN and VAT registration number.
- ☐ have an Environmental Clearance Certificate from DOE.
- ☐ have a Fire Clearance Certificate from office of Fire Service and Civil Defense
- ☐ not be involved in employing of child and/or forced labour.
- ☐ not have operations in production of arms, tobacco, alcohol and any other areas as excluded by the World Bank/IFC Exclusion List or otherwise communicated by the ERF MU.
- ☐ not currently in contravention of any Government of Bangladesh legislation, nor does it have any ongoing legal case regarding alleged contravention.
- ☐ no loan defaults as per the Credit Information Bureau (CIB) verification

**On an exceptional basis, enterprises having less than 31 or more than 300 employees (i.e. micro and large enterprises) will be considered for ERF grants. However, these enterprises will have to provide justifications (in a separate attached sheet to their applications) for what purpose they need the grants and how the grants will help/improve their businesses to export more or get one step close to exporting.*

B: Project Eligibility

The project should -

- ☐ be designed to generate environmental, social and/or quality (ESQ) benefits applicable to expanding exports in the four selected sectors.
- ☐ not generate potentially high environmental or social impacts considered irreversible and requiring lengthy certification procedures.
- ☐ not involve large-scale new construction or large-scale expansion of pollution-intensive processes such as leather tanning, chemical-processing industries or plastics.
- ☐ based on environmental screening the ERF MU will decide the safeguard category for the project and determine follow-on steps required for:
 - ☐ Category C for Environment – no impact – nothing extra required at proposal and award stage (except there might be some pre-conditions required such as certain permits, or additions to the proposal/agreement e.g. if new equipment – training on safe use).
 - ☐ Category C for Environment – negligible impact - e.g. general construction impacts requiring an Environmental Management (and Monitoring) Plan (EMP) (either (i) at proposal stage) from the applicant, , or (ii) after contract signing as a pre-condition before 1st payment and before other works can begin, from the grantee. The EMP implementation costs are an eligible grant expense.
 - ☐ Category B for Environment – low impact but more investigation required during proposal preparation. An Environmental Impact Assessment (EIA) may be required



(prepared by the grantee after contract signing as a pre-condition (Environmental Clearance Certificate submitted) before first payment and before other project activities can begin, although alternative proposals could be suggested to lower the impact. The grantee will likely need to hire a specialist for this. The grantee then sends the EIA to the Department of Environment (DOE) for an Environmental Clearance Certificate (ECC). The EIA preparation and implementation costs are an eligible grant expense.

- ☐ Category A for Environment and any involuntary resettlement – in which case the concept note is rejected.
- ☐ be backed by the necessary Government clearances required to undertake the project or if not available show how it plans to obtain these. (e.g. any necessary clearance certificates from DOE letter or the Department of Inspection of Factories).
- ☐ be designed to support 'additional' or 'improved' (innovative) production or services - i.e. not already under way or likely to be implemented in the short term without the grant.
- ☐ be planned to be completed (all goods and services fully delivered on site) within nine (9) months from receipt of award for Window 2 and 12 months for Window 3.
- ☐ not be already in receipt of other funding support from Government or donor sources for the same goods or services, or if it is, funding should be adjusted to ensure that combined subsidy does not materially exceed the percent of project costs allowable.
- ☐ not generally receive more than one regular small or large grant for the same project unless it is judged exceptional (e.g. where two projects in sequence are needed to complete the work). If a single enterprise receives more than one grant for two distinct projects, it can work on both projects.

¹A screening checklist will be included as an annex to the concept note and will be assessed (utilising a short-term environment specialist if required). If required, specific statements in the checklist will be scrutinised. (e.g. If the factory is not in built-up area or economic zone, due diligence will be undertaken on location (e.g. using maps to see if in a key biodiversity area)). Note that projects or activities in the leather sector which are not situated in designated industrial zones and not connected to Central Effluent Treatment Plant (CETP) are ineligible.



7. Concept Note Scoring

Only eligible concept notes will be scored. The following scoring criteria will be used although this may be updated from time to time based on lessons learned.

Concept Note Evaluation areas for Windows 2 and 3:

Evaluation Area	Maximum Points (Total = 100)
<p>Firm: Business status of applicant firm: organization and track record</p> <p><i>(Points awarded based on assessment of likely ability to export or increase exports based on track record, and spill-over benefits to local communities.)</i></p> <ul style="list-style-type: none"> General description of business and its history/track record. Products/services, employment, output, exports, supply chain. Links to local community – raising income (jobs) and quality of life. Any Corporate Social Responsibility (CSR) initiatives? <p>For Window 3:</p> <ul style="list-style-type: none"> Links to overseas buyers (contracts or potential contracts) Countries currently export to (complexity of import requirements and stringency of buyers) 	<p>30</p> <p><i>(20 for Window 3)</i></p>
<p>Firm: Availability of required management and technical expertise</p> <p><i>(Points awarded based on assessment of likely ability to implement the project)</i></p> <ul style="list-style-type: none"> Utilise an organogram to assess management and technical personnel (i.e. available manpower) to realise the expected outcomes of the project. Any departments or personnel concerned with environmental and Occupational Health and Safety (OHAS) compliance or improvements, or quality compliance or improvements? Qualifications of technical staff 	10
<p>Firm: Current systems, policies or procedures</p> <p><i>(Points awarded based on assessment of likely ability to be able to integrate new ESQ systems and training into ongoing operations. Absence of ESQ systems is not marked down per se since improving these is the overall objective of the project)</i></p> <ul style="list-style-type: none"> Description of current management, environment quality, health and safety, and training systems, policies, procedures or equipment/software in place. For Window 2 applicants these could be quite simple procedures 	10



Evaluation Area	Maximum Points (Total = 100)
or equipment. For Window 3 applicants a higher level of sophistication is expected.	
Firm: Financial strength (Window 3 only) <ul style="list-style-type: none">An assessment of the firm's ability to finance the project, based on an assessment of the balance sheet (current ratio) and profitability, which should give an indication of whether the firm needs to borrow	10 (Window 3 only)
Project: Quality of supply and market analysis <ul style="list-style-type: none">How will the grant help meet ESQ standards and enable it to increase exports	30
Project: Quality of indicative budget <ul style="list-style-type: none">The cost of budget items will be benchmarked to see if they are in line with market rates, and if all relevant costs have been included.	20
