

CONFORMED COPY

CREDIT NUMBER 4938-BD

Financing Agreement

(Identification System for Enhancing Access to Services Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 21, 2011



CREDIT NUMBER 4938-BD

FINANCING AGREEMENT

AGREEMENT dated, July 21, 2011, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to one hundred twenty three million Special Drawing Rights (SDR 123,000,000) (variously, "Credit" and "Financing") to assist in financing the project described in Schedule 1 to this Agreement ("Project").
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 1 and September 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project, through Election Commission Secretariat, in accordance with the provisions of Article IV of the General Conditions.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.02. For purposes of Section 8.05(b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is the Secretary or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary, or Assistant Chief of the Economic Relations Division of the Ministry of Finance.
- 5.02. The Recipient's Address is:

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-E-Bangla Nagar
Dhaka, Bangladesh

Facsimile:

88028111660

5.03. The Association's Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423 (MCI)	1-202-477-6391

AGREED at Dhaka, People's Republic of Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By: /s/ Arastoo Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By: /s/ Tahseen Sayed

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in establishing a secure, accurate and reliable national ID system that serves as the basis for a more efficient and transparent service delivery.

The Project consists of the following parts:

Part 1. Regulatory Framework for the National Identification System and Integration into Service Delivery

- (a) Provision of technical assistance to the Bangladesh Election Commission and other relevant agencies in the:
 - (i) formulation of rules and regulations for the National Identification System to address issues of privacy, access to information by different users, responsibility for integrity and currency of data, and overall system security;
 - (ii) preparation of a National Identification System operations manual to reflect the approved rules and regulations;
 - (iii) development of work flow management software to automate the national identity registration wing (NIDW) work processes in accordance with the operations manual;
 - (iv) development of mechanisms to monitor NIDW's compliance with the established rules and regulations; and
 - (v) coordination with other entities of the Recipient involved in e-governance and with the Inter-Ministerial Committee on Information Policy to achieve consistency between BEC's rules, and regulations and applicable legislation.
- (b) Integration of the National Identification System into management of service delivery in selected agencies, including:
 - (i) provision of technical assistance, capacity building and equipment to agencies, other than BEC, to enhance their business processes, and support software systems to utilize e-ID verification services from the National Identification System;
 - (ii) development and/or upgrading of the Recipient agencies' data and database systems to better identify customers and improve

reliability, consistency and comprehensiveness of services performed;

- (iii) development of protocols for the sharing of birth and death registration system data with the National Identification System; and
 - (iv) establishment of a national identification service fund, administered by BEC, to provide assistance to selected agencies of the Recipient.
- (c) Provision of identity verification services to public and private entities, including the financing of software development and maintenance costs necessary to provide electronic verification services to client agencies.

Part 2. Operation and Management of the National Identification System

- (a) Establishment of a data center and disaster recovery site, with the highest reliability and security, at the Bangladesh Computer Council to house the National Identification System database and software, including:
 - (i) preparation of a detailed service agreement between BEC and BCC setting out the responsibilities, service standards, and liabilities of BCC; and
 - (ii) financing the expansion of the existing data center to serve as both a disaster recovery site and a parallel processing center.
- (b) Preparation of a detailed network design for a reliable, secure, online data communications network linking the datacenter, the disaster recovery site, the card production facility, the NIDW headquarters, the *upazila* server stations, and government and private sector clients, all based on the standard operating procedures of the National Identification System.
- (c) Provision of incremental workstations and peripherals to the Bangladesh Election Commission's district, region and *upazila* offices.
- (d) Enhancement of the current electoral voter database as the backbone of the National Identification System and to enable linkages with the birth registration and national population register systems, including the conduct of pilot tests to determine the likely volume and type of transactions and decide on the best logistical arrangements and segmentation of work, and the conduct of a communications campaign to encourage citizens to enhance the data in their voter list records.

- (e) Production and delivery to citizens of national ID cards with more robust security features, including the development of a detailed NIDW methodology to set out the roles, responsibilities, steps, decisions, documents, computerized support requirements, quality standards, safeguards, and audit trail records necessary for national ID card production, distribution to *upazilas*, updating of data, and delivery of new cards to citizens.

Part 3. Capacity Building, Communications, and Overall Project Management

- (a) Implementation of a comprehensive capacity building program for NIDW, including: the financing of a comprehensive Implementation Support Consultancy, hiring of staff to assist in development and initial implementation of the communication and procurement plans, training for both permanent and contractual staff of NIDW, and study tours.
- (b) Carrying out of a change management and communication program to ensure a smooth process for the enhancement of database content and replacement of ID cards.
- (c) Compilation of all National Identification System operating procedures into a project operations manual and development of an automated business process management system, including the development and deployment of software.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall establish a national identity registration wing (NIDW) under the Election Commission Secretariat for the purpose of, *inter alia*, implementing the Project.
2. The Recipient shall, not later than three (3) months after the Effective Date, establish and thereafter maintain, throughout the period of Project implementation, a NID Steering Committee, headed by the Chief Election Commissioner, and including representatives of LGD, BBS, and other concerned agencies. The NID Steering Committee shall be responsible for providing strategic policy guidance and overseeing the implementation of the Project.
3. The Recipient shall, not later than three (3) months after the Effective Date, establish and thereafter maintain, throughout the period of Project implementation, a Project Implementation Committee, headed by the Director General of NIDW, which includes, as members, the directors of the operation, technology, administration/finance departments of NIDW, the head of the Implementation Support Consultancy, and officials from the BBS and LGD. The Project Implementation Committee shall be responsible for addressing operational issues at the Project implementation level.
4. The Recipient shall, not later than three (3) months after the Effective Date, appoint a designated officer for the NIDW as required under the Recipient's Right to Information Act.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Project Operations Manual

1. The Recipient shall:
 - (a) ensure the preparation, not later than six (6) months after the Effective Date, of a Project Operations Manual, acceptable to the Association, setting out, *inter alia*, the policies and procedures for accounting and reporting under the Project; and

- (b) ensure that the Project is carried out in accordance with the Project Operations Manual.
2. In the event of a conflict between the provisions of the Project Operations Manual and those of this Agreement, the latter shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six (6) months, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.
- (b) The performance indicators referred to above in sub-paragraph (a) consist of the following:
- (i) by June 30, 2016, at least eighty (80) million citizens have been issued secure NID cards and a reliable verification is in place; and
 - (ii) by June 30, 2016, at least two (2) public and two (2) private agencies use the NID system to verify client/beneficiary identities.
- (c) The Recipient shall undertake the monitoring and evaluation activities through a third party under terms of reference satisfactory to the Association.
2. The Recipient shall:
- (a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about January 31, 2014, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 above, on the progress achieved in the carrying out of the Project during the period preceding the date of said report, and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

- (b) review with the Association, by February 28, 2014, or such later date as the Association shall request, the report referred to in sub-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-Consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods, Works and Non-Consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-Consulting Services.**

(a) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(i) National Competitive Bidding, following the procedures of the Procurement Laws subject to paragraph (b) below
(ii) Shopping, following the request for quotation method of the Procurement Laws
(iii) Direct Contracting

(b) The following provisions apply for the contracting of goods, works and non-consulting services under National Competitive Bidding, using bidding documents acceptable to the Association:

- (i) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;
- (ii) bids should be submitted and opened in public in one (1) location immediately after the deadline for submission;
- (iii) rebidding shall not be carried out, except with the Association’s prior agreement;
- (iv) lottery in award of contracts shall not be allowed;
- (v) bidders’ qualification/experience requirement shall be mandatory;
- (vi) bids shall not be invited on the basis of percentage above or below the estimated cost and contract award shall be based on

the lowest evaluated bid price of compliant bid from eligible and qualified bidder; and

- (vii) single stage two (2) envelope procurement system shall not be allowed.

C. Particular Methods of Procurement of Consultants’ Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants’ Services.** The following table specifies methods of procurement, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) Quality-Based Selection
(b) Fixed Budget Selection
(c) Consultants Qualifications-Based Selection
(d) Least-Cost Selection
(e) Single-Source Selection

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

E. Other Undertakings

The Recipient shall: (a) by no later than two (2) months after the Effective Date, engage the services of a full-time procurement consultant; (b) establish a functional webpage for BEC with procurement-related information accessible to the public; (c) establish in BEC a system for handling complaints and a database for recording, monitoring and follow up on all procurement activities under the Project; and (d) introduce and implement the Procurement Risk Mitigation Plan in a manner acceptable to the Association, including the preparation and submission of quarterly reports to the Association on procurement activities undertaken during the previous quarter.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Projects” dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consultants’ services, and Training	106,550,000	100%
(2) Operating Costs	16,450,000	93%
TOTAL AMOUNT	123,000,000	

For the purpose of this paragraph:

- (a) the term “Training” means expenditures (other than those for consultants’ services) to finance the reasonable cost of the services of trainers, meeting rooms, publications, travel costs, per diem allowances for trainees, and study tours as agreed with the Association; and
- (b) the term “Operating Costs” means the reasonable costs incurred on account of the implementation of the Project for office utilities, office supplies and stationeries, operation and maintenance of equipment and vehicles, hiring of vehicles, travel costs, fuel, office rent, events, bank

charges, advertising costs, and salaries and contractual allowances of contracted staff but excluding salaries of the Recipient's civil servants.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$1,500,000 equivalent may be made for payments made prior to this date but on or after January 1, 2011, for Eligible Expenditures; or
 - (b) under Categories (1) and (2) unless the rules and regulations, satisfactory to the Association, for the implementation of the National Identity Registration Act, 2010 have become effective.
2. The Closing Date is June 30, 2016.

SCHEDULE 3**Repayment Schedule**

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 1 and September 1:	
commencing September 1, 2021 to and including March 1, 2031	1%
commencing September 1, 2031 to and including March 1, 2051	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX**Definitions**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.
2. “Bangladesh Bureau of Statistics” and the acronym “BBS” mean the Bangladesh Bureau of Statistics under the Recipient’s Ministry of Planning.
3. “Bangladesh Computer Council” and the acronym “BCC” mean the Bangladesh Computer Council under the Recipient’s Ministry of Science and Information & Communication Technology.
4. “Bangladesh Election Commission” and the acronym “BEC” mean the Bangladesh Election Commission established pursuant to the Article 118 of the Constitution of Bangladesh.
5. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
7. “Election Commission Secretariat” means the secretariat of the Bangladesh Election Commission.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
9. “Implementation Support Consultancy” means the group of key experts to be engaged by BEC under the Project to provide long-term advisory support on various aspects of Project implementation.
10. “Local Government Division” and the acronym “LGD” mean the Local Government Division under the Recipient’s Ministry of Local Government and Rural Development & Cooperatives.
11. “NID Steering Committee” means the committee referred to in paragraph 2 of Section I.A of Schedule 2 to this Agreement.

12. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
13. “Procurement Laws” means the Recipient’s Public Procurement Act 2006, the Recipient’s Public Procurement Rules, 2008 (as amended in August 2009), and the Recipient’s Public Procurement Act (1st Amendment) 2009 collectively.
14. “Procurement Risk Mitigation Plan” means the framework of measures and actions prepared by the Recipient and dated April 11, 2011, aimed at mitigating procurement related risks in the carrying out of the Project, and which has been agreed with the Association.
15. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 11, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
16. “Project Implementation Committee” means the committee referred to in paragraph 3 of Section I.A of Schedule 2 to this Agreement.
17. “Project Operations Manual” means the manual referred to in Section I.C of Schedule 2 to this Agreement.