

CONFORMED COPY

CREDIT NUMBER 3229 BD

Development Credit Agreement

(Export Diversification Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 1, 1999

CREDIT NUMBER 3229 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 1, 1999, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project; and

WHEREAS, the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through December 2, 1997), with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) A new paragraph (12) is added to Section 2.01 to read as set forth below, and the existing paragraphs (12) through (14) of said Section are accordingly renumbered as paragraphs (13) through (15):

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries.

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Audit Committee" means the Committee established by the Borrower in order to supervise and monitor the carrying out of the audit activities under the Project;

(b) "Beneficiary" means: (i) in respect of a Service User Matching Grant, a beneficiary eligible for receiving a grant in accordance with criteria set out in paragraphs 6 (a) and 6 (b) of Schedule 3 to this Agreement; and (ii) in respect of a Service Development Matching Grant, a beneficiary eligible for receiving a grant in accordance with criteria set out in paragraphs 8 (a) and 8 (b) of Schedule 3 to this Agreement;

(c) "BTC" means the Bangladesh Tariff Commission of the Borrower;

(d) "Eligible Categories" means Categories (1), (2), (3), (4) and (5) set forth in the table in Part A.1 of Schedule 1 to this Agreement.

(e) "Fiscal Year" means the Fiscal Year of the Borrower, beginning on July 1 and ending on June 30;

(f) "Government Order" means the Government Order dated April 17, 1999, as supplemented by Government Order dated May 6, 1999, issued by the Borrower for the purpose of establishing the Matching Grant Facility and the MGF Board and setting out the mechanisms for the operation of the Matching Grant Facility;

(g) "Management Contract" means each of the Management Contracts entered into by the Borrower through its relevant agencies, with a management contractor for the purpose of providing management and advisory services for implementing Parts A.2, B.1, B. 2 and C of the Project;

(h) "Matching Grant" means a Service User Matching Grant or a Service Development Matching Grant.

(i) "Matching Grant Facility" means the Matching Grant Facility established by the Borrower pursuant to the Government Order in order to support the objective of diversifying and developing exports through the provision of Matching Grants;

(j) "MGF Board" means the Board established by the Borrower pursuant to the Government Order for the purpose of supervising and operating the Matching Grant Facility;

(k) "MOC" means the Ministry of Commerce of the Borrower;

(l) "NBR" means the National Board of Revenue under the administrative control of the Internal Resources Division of the Ministry of Finance of the Borrower;

(m) "PCU" means the Export Diversification Project Coordination and Development Unit established by the Borrower as the operational wing of the Technical Committee;

(n) "PIP" means the Project Implementation Plan of the Borrower, dated May 6,

1999, setting out, inter alia, details on Project implementation, including indicators for monitoring and evaluating the Project;

(o) "Project Management Report" means each of the reports prepared in accordance with Section 4.02 of this Agreement;

(p) "Service Development Matching Grant" means a grant made or proposed to be made by the Borrower out of the Matching Grant Facility under Part A.1 (b) of the Project to a Beneficiary in accordance with the provisions of paragraphs 5 and 8 of Schedule 3 to this Agreement and financed out of the proceeds of the Credit;

(q) "Service User Matching Grant" means a grant made or proposed to be made by the Borrower out of the Matching Grant Facility under Part A.1 (a) of the Project to a Beneficiary in accordance with the provisions of paragraphs 5, 6 and 7 of Schedule 3 to this Agreement and financed out of the proceeds of the Credit;

(r) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34 (Rev. 3 (1986)) and such other future revisions as adopted by the Borrower and agreed by the Association;

(s) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(t) "Statement of Policies and Operating Procedures" means the Statement of Policies and Operating Procedures issued by the Borrower under the Government Order setting out the details for operating the Matching Grant Facility by the MGF board;

(u) "Steering Committee" means the Committee established by the Borrower for overseeing the implementation of the Project and providing policy guidance; and

(v) "Technical Committee" means the Committee established by the Borrower for purposes, inter alia, of facilitating and monitoring the implementation of the Project.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to twenty-three million six hundred thousand Special Drawing Rights (SDR 23,600,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for: (i) amounts paid (or, if the Association shall so agree, amounts to be paid) on account of withdrawals made for the benefit of a Beneficiary under a Matching Grant to meet the reasonable cost of goods and services required for Part A of the Project in respect of which the withdrawal from the Credit Account is requested; and (ii) expenditures made (or if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for Parts B and C of the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be December 31, 2002 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue:

(i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and

(ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as

of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

- (c) The commitment charge shall be paid:
 - (i) at such places as the Association shall reasonably request;
 - (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and
 - (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1 and November 1 commencing November 1, 2009 and ending May 1, 2039. Each installment to and including the installment payable on May 1, 2019 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by: (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project or cause the Project to be carried out through its relevant departments and agencies, including the MGF Board, MOC, BTC and NBR, all with due diligence and efficiency and in conformity with appropriate administrative, financial, and trade practices, and shall provide or cause to be provided, promptly as needed,

the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project, or cause the Project to be carried out, in accordance with the Implementation Program set forth in Schedule 3 to this Agreement.

Section 3.02. (a) Unless the Association shall otherwise agree, the Borrower, acting through the MGF Board, shall provide Matching Grants under the Matching Grant Facility in accordance with the procedures and on the terms and conditions set forth or referred to in paragraphs 5,6,7 and 8 of Schedule 3 to this Agreement.

(b) The Borrower shall, acting through the MGF Board, exercise its rights in relation to each Matching Grant in such manner as to:

- (i) protect the interests of the Borrower and of the Association;
- (ii) comply with its obligations under this Agreement; and
- (iii) achieve the purposes of the Project.

Section 3.03. (a) Without limitation upon the provisions of paragraph (a) of Section 3.01, and except as the Association shall otherwise agree, the activities to be carried out by the Borrower under Part A. 3 of the Project shall meet at least one of the following eligibility criteria:

- (i) the activity shall contribute directly to the diversification of export products or markets, to increased market competitiveness, or to increasing value added;
- (ii) the activity shall be complementary to other Project activities;
- (iii) the activity shall focus on the development of sustainable capacity and expertise for supporting export production and/or marketing, especially in the private sector or in the area of exports requiring public/private cooperation; and/or
- (iv) the activity shall strengthen public capacity in trade management.

(b) In respect of each activity to be carried out under Part A. 3 of the Project, the Borrower shall submit to the Association for its approval all details in respect of the eligibility criteria to be met as set out in paragraph (a) of this section and such other information as the Association shall reasonably request.

(c) The Borrower shall carry out, or cause to be carried out, the activities approved for financing pursuant to the provisions of paragraph (b) of this Section under standards and arrangements satisfactory to the Association.

Section 3.04. For the purposes of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.05. Except as the Association shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 4 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or

agencies of the Borrower, including the Matching Grant Facility, responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than six months after the end of each such year, the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of Project Management Reports, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. The Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a Project Management Report for such period, which:

- (a)
 - (i) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and
 - (ii) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;
- (b)
 - (i) describes physical progress in Project implementation both cumulatively and for the period covered by said report; and
 - (ii) explains variances between the actual and previously forecast implementation targets; and
- (c) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional events are specified:

(a) The Government Order shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the operations or financial condition of the Matching Grant Facility or the MGF Board or their ability to provide Matching Grants financed out of the proceeds of the Credit.

(b) The Borrower or any other authority having jurisdiction shall have taken any action for the dissolution or disestablishment of the Matching Grant Facility or the MGF Board or for the suspension of operations of any of them.

(c) The Statement of Policies and Operating Procedures shall have been amended, suspended, abrogated, repealed and waived without the prior written approval of the Association.

(d) Any provision of any Management Contract shall have been amended, suspended, repealed or waived so as to affect materially and adversely the implementation of any part of the Project.

Section 5.02. Pursuant to Section 7.01(h) of the General Conditions, the events specified in paragraphs (a), (b) and (c) of Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The date sixty (60) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.02. The obligations of the Borrower under the provisions of Section 5.02 of this Agreement shall cease and determine on the date on which the Development Credit Agreement shall terminate or on the date twenty (20) years after the date of this Agreement, whichever shall be the earlier.

ARTICLE VII

Representatives of the Borrower; Addresses

Section 7.01. The Secretary, or the Additional Secretary, or any Joint Secretary/Joint Chief, Deputy Secretary/Deputy Chief, Senior Assistant Secretary/Assistant Secretary/Assistant Chief of the Economic Relations Division of the Ministry of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Dhaka, Bangladesh

Cable address:

Telex:

BAHIRSAMPAD
Dhaka

642226 SETU BJ
672796 SETU BJ

For the Association:

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

Cable address:

Telex:

INDEVAS 248423 (MCI) or
Washington, D.C. 64145 (MCI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Quazi Mesbahuddin Ahmed Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick T. Temple Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

Part A: General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent)	% of Expenditures to be Financed
(1) Matching Grants	8,850,000	50%
(2) Civil works	250,000	90%
(3) Goods	2,210,000	100% of foreign expenditures; 100% of local expendi- tures (ex-factory cost); and 80% of local expenditures for other items procured locally
(4) Consultants' services and training	10,770,000	100%
(5) Incremental staff and operating costs	45,000	100% through June 30, 2000; 80% through June 30, 2001; and 60% thereafter
(6) Unallocated	1,475,000	
TOTAL	23,600,000	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any

country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) the term "incremental staff and operating costs" means costs incurred by the Borrower after the date of this Agreement in respect of additional staff and incremental operating expenses of PCU, MOC, BTC and NBR required for purposes of implementing the Project.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made:

(a) in respect of payments made for expenditures prior to the date of this Agreement except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR 500,000, may be made on account of payments made for expenditures before that date but after July 1, 1998; and

(b) in respect of a Matching Grant unless the Matching Grant has been made in accordance with the procedures and on the terms and conditions set forth or referred to in paragraphs 5,6,7 and 8 of Schedule 3 to this Agreement.

Part B: Special Account

1. The Borrower shall open and maintain in dollars a special deposit account in Bangladesh Bank, on terms and conditions satisfactory to the Association. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of this Schedule. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

2. Except as the Association shall otherwise agree, after the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) Each application for withdrawal from the Credit Account shall be supported by a Project Management Report.

(b) Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of:

(i) the amount so requested; and

(ii) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said report to be remaining in the Special Account, shall not exceed the equivalent of \$ 6,400,000. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) if the Borrower shall have failed to furnish to the Association within

the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

4. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

5. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the Association may request, or deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are: (a) to accelerate the Borrower's integration into the world economy by expanding export production through product and market diversification; (b) to improve the entrepreneurial skills of exporters; and (c) to remove critical business environment constraints to product and market diversification, including increased value added to industry and commerce through enhancing capacity and implementing reforms in trade policy and revenue administration.

The Project consists of the following parts subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives.

Part A: Product and Market Development Support

1. Establishment and operation of a Matching Grant Facility, which shall provide Matching Grants consisting of:

(a) Service User Matching Grants to exporters for enhancing export competitiveness; and

(b) Service Development Matching Grants to export service providers for building capacity to supply export development services.

2. Provision of management and advisory services to the Matching Grant Facility.

3. Identification and implementation of activities to strengthen selected private, public and joint private and public initiatives to support export product and market development services.

Part B: Trade Management Capacity Building

1. Modernizing the Borrower's customs administration through:

(a) designing and introducing streamlined procedures for the clearance of exports and of imports associated with exports;

(b) installing ASYCUDA "+ +" or similar system and extending its scope to all customs entry points, and taxpayer access, and developing and installing management information systems for NBR;

(c) designing and introducing monitoring procedures to enable more liberal availability of the special bonded warehouse scheme of the Borrower, including for partial and indirect exporters;

(d) designing and introducing new procedures to facilitate:

(i) payment of custom duties, value-added tax and special duty drawback immediately upon export shipment; and

(ii) easy receipt of duty drawback by indirect exporters;

(e) designing, piloting and planning the wider implementation of new procedures and organizational arrangements conducive to efficient customs and other tax administration; and

(f) provision of consultants' and administration services, training, equipment and renovation works for implementing Part B. 1 of the Project.

2. Carrying out a program of trade protection analysis and trade cooperation capacity building consisting of:

(a) assisting BTC in carrying out trade protection measurement and analysis on a regular basis with the aim of formulating and implementing appropriate trade policies;

(b) strengthening the capacities of BTC and MOC to handle trade cooperation arrangements at the bilateral, regional and multilateral levels, including:

(i) monitoring the World Trade Organization Agreements in order to derive full advantage of opportunities that have emerged from the Uruguay Round of multilateral trade negotiations and to conform to its rules; and

(ii) identifying key areas for regional cooperation with particular focus on export promotion;

(c) strengthening the technical capabilities of BTC and MOC in order to enhance their impact on trade policy and management;

(d) designing and introducing a management information system to support Part B. 2 of the Project; and

(e) provision of consultants' and administration services, training and equipment for implementing Part B. 2 of the Project.

Part C: Coordination, Development and Evaluation

1. Establishment and operation of a PCU for:

(a) facilitating the development and implementation of the Project through the provision of coordination, accounting and procurement services and technical advice;

(b) carrying out monitoring and reporting related to Project progress and performance;

(c) identifying and analyzing export constraints and recommending feasible solutions;

(d) reviewing and advising on the structure of BTC and on institutional mechanisms to provide export support services;

(e) assisting in the identification and development of activities under Part A. 3 of the Project; and

(f) preparing a mechanism to institutionalize its functions after the end of the Project period.

2. Carrying out evaluations of the impact of the Project in achieving its development objectives.

3. Hiring of external auditors for carrying out annual audits referred to in Section 4.01 (b) of this Agreement.

4. Provision of consultants' and administration services for implementing Part C of the Project.

* * * * *

The Project is expected to be completed by June 30, 2002.

SCHEDULE 3

Implementation Program

Project Coordination

1. The Borrower shall carry out or cause to be carried out the Project in accordance with the procedures and performance and monitoring indicators set out in the PIP and shall not amend such PIP or waive any provision thereof, which in the opinion of the Association, shall materially or adversely affect the implementation of the Project.

2. The Borrower shall, until completion of the Project, maintain the PCU under terms of reference, composition, functions, powers, resources and operational procedures satisfactory to the Association. The PCU shall be responsible, inter alia, for:

(a) monitoring and evaluating the overall implementation of the Project, including ensuring that budgetary, procurement, contracting, disbursement, administrative, accounting, auditing and reporting arrangements are carried out in accordance with the provisions of this Agreement and the PIP;

(b) tracking inputs, processes, outputs and impact of all Project activities;

(c) assisting in the development of activities to be financed under Part A. 3 of the Project;

(d) analyzing export constraints and the need for institutional reorganization for export growth and trade management; and

(e) assembling and furnishing to the Association quarterly Project implementation reports.

3. The Borrower shall maintain until completion of the Project, with composition, powers, functions, resources and operational procedures satisfactory to the Association:

(a) the Steering Committee which shall be responsible for overseeing Project implementation and providing policy guidance to the Borrower and its relevant agencies;

(b) the Technical Committee which shall be responsible for facilitating and monitoring the implementation of the Project; and

(c) the Audit Committee which shall be responsible for supervising and monitoring the carrying out of the audit activities under the Project.

4. The Borrower shall maintain until completion of the Project, with composition, powers, functions, resources and operational procedures satisfactory to the Association, the MGF Board, which shall, inter alia, be responsible for: (i) monitoring the overall direction and performance of the Matching Grant Facility and the performance of the consultants managing the Facility; and (ii) recommending changes in the design and execution of the Matching Grant Facility as may be required during the implementation of the Project. The Borrower shall not take any action which would prevent or interfere with the autonomous functioning of the MGF Board in

accordance with the provisions of the Government Order and the Statement of Policies and Operating Procedures.

Matching Grants

5. Matching Grants shall be made in accordance with the procedures and on the terms and conditions set out in the Statement of Operating Policies and Procedures and in this Agreement.

Special Procedures for Service User Matching Grants

6. (a) Private firms not majority-owned or controlled by the Borrower or its agencies, and NGOs in the Borrower's territories, producing or intending to produce goods or services for export and registered under the relevant laws of the Borrower (Beneficiaries) shall be eligible to apply for Service User Matching Grants.

(b) For a Beneficiary applicant to qualify for a Service User Matching Grant, it must:

- (i) have a plan to enhance the international competitiveness of its products;
- (ii) provide evidence, satisfactory to the MGF Board, indicating its ability to contribute from its own resources 50% of the funds required to carry out the plan;
- (iii) incorporate in the plan's design, features enabling the plan's outputs to be measured and verified;
- (iv) furnish with its application such other evidence as the MGF Board shall, with the prior agreement of the Borrower and the Association, reasonably request; and
- (v) furnish evidence that the plan does not include activities of a military or paramilitary nature or activities in the following SITC groups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Borrower:

Group	Subgroup	Description of Items
121	-	Tobacco, unmanufactured, tobacco refuse
122	-	Tobacco, manufactured (whether or not containing tobacco substitutes)
525	-	Radioactive and associated materials
718	-	Nuclear reactors, and parts thereof, elements (cartridges), non-irradiated nuclear reactors

fuel
for

(c) For a plan to be eligible, the activities to be financed under such plan may include, inter alia, the use of external business development services, or travel to expose personnel of the Beneficiary to alternative techniques and technologies or market exploration tours, technical consultancy services, and the preparation and shipment of samples.

(d) Except as the MGF Board and the Association may otherwise agree, Service User Matching Grants shall not be made to any Beneficiary applicant in an aggregate amount exceeding \$200,000 equivalent.

7. Service User Matching Grants shall be made on terms whereby the Borrower, acting through the MGF Board, shall obtain, by Letter of Agreement with the Beneficiary, rights adequate to protect the interests of the Association, and the Borrower, including to the extent that it shall be appropriate the right to:

(a) require the Beneficiary to carry out the proposal or program to be financed out of the proceeds of the Service User Matching Grant with due diligence and efficiency and in accordance with sound technical, financial, managerial employment and environmental standards and to maintain adequate records;

(b) require that: (i) any services to be financed out of the proceeds of the Credit shall be obtained at a reasonable price, account being taken also of other relevant factors such as their quality and the competence of the parties rendering them; and (ii) such services to be used exclusively in the carrying out of the proposal or program;

(c) obtain all such information as the Association or the Borrower shall reasonably request relating to the foregoing and to the administration, operations and financial condition of the Beneficiary and to the benefits to be derived from the proposal or program; and

(d) suspend or terminate the right of the Beneficiary to the use of the proceeds of the Credit upon failure by such Beneficiary to perform its obligations under its agreement with the Borrower.

Special Procedures for Service Development Matching Grants

8. (a) Any legal entity, not receiving subventions or budgetary allocations from the Borrower towards its regular operating costs, including business or industry associations, and NGOs (Beneficiaries) wishing to develop services to sell to Beneficiaries eligible to receive a Service User Matching Grant (Eligible Firms), shall be eligible to apply for a Service Development Matching Grant.

(b) For a Beneficiary applicant to qualify for a Service Development Matching Grant, it must:

(i) have a plan to support the development of new or the improvement of existing services aimed at assisting firms in enhancing the international competitiveness of their products; and

(ii) incorporate in the plan features including, expressions of interest from the Eligible Firms to demonstrate that the services to be developed are likely to be salable and to assist the Eligible Firms in enhancing the international competitiveness of their products.

(c) Except as the MGF Board and the Association may otherwise agree, Service Development Matching Grants shall not be made to any business or industry association in an aggregate amount exceeding \$200,000 equivalent, and in the case of any other entity in an aggregate amount exceeding \$50,000 equivalent.

(d) All other procedures specified in paragraphs 6 (b) and (c) and 7 above, relating to Service User Matching Grants, shall apply mutatis mutandis to Service Development Matching Grants.

Trade Management

9. The Borrower shall:

(a) annually direct the BTC to carry out the analysis on trade protection referred to in Part B.2 (a) of the Project;

(b) by March 31 of each of 2000, 2001 and 2002, in cooperation with the Association carry out reviews of relative trade protection among all sectors of the economy based on the analysis referred to in paragraph (a) of this Section; and

(c) incorporate measures, satisfactory to the Association, towards achieving a more neutral regime in the Fiscal Year 1999-2000 budget of the Borrower and in subsequent budgets;

10. The Borrower shall:

(a) no later than June 30, 2001, submit to its Parliament draft amendments to the Customs Act and other relevant laws in order to establish new structural, cultural and technical approaches to revenue administration based on the designs made under Part B.1 of the Project; and

(b) take measures, satisfactory to the Association, to modernize the revenue administration systems of the Borrower in accordance with a time schedule satisfactory to the Association.

Staffing

11. The Borrower shall ensure that all recipients of training financed out of the proceeds of the Credit shall be permitted to continue in their positions for a reasonable time after completion of training in order to achieve the objectives of such training.

Mid-term Review

12. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Association, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about October 31, 2000, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, 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;

(c) appoint consultants by October 31, 2000 with terms of reference, satisfactory to the Association, to conduct an independent evaluation of the actual and expected impact of the Project activities undertaken during the period preceding the date of the report referred to in clause (b) of this paragraph, and to prepare and furnish to the Association and the Borrower by November 30, 2000 a report integrating the results of such evaluation; and

(d) review with the Association by December 31, 2000, or such later date as the Association shall request, the reports referred to in paragraphs (b) and (c) of this Section, and, thereafter, take all measures to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter.

Final Evaluation

13. The Borrower shall appoint consultants with terms of reference, satisfactory to the Association, to conduct an independent evaluation of the actual and expected impact of the Project activities undertaken by June 30, 2002, based, inter alia, on the indicators referred to in paragraph (a) of Section 12 of this Schedule, and to prepare and furnish to the Association and the Borrower a report integrating the results of such evaluation.

Reporting

14. The Borrower shall, no later than 30 days after the end of each calendar quarter beginning with the quarter ending on September 30, 1999, submit to the Association a report detailing the progress in implementing the Project.

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Good and Works

Part A: General

1. Goods and works shall be procured in accordance with (a) the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January and August 1996, in September 1997, and in January 1999 subject to the modifications thereto set forth in paragraph 2 of this Part A (the Guidelines), and (b) the provisions of the following Parts of this Section 1.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

2. The following provision shall apply to goods be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Preference for domestically manufactured goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. National Competitive Bidding

(a) Civil works shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Goods estimated to cost less than the equivalent of \$200,000 per contract, up to an aggregate amount not to exceed the equivalent of \$800,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of subparagraphs (a) and (b) of this paragraph 1.

(i) Grouping of Contracts

To the extent practicable, contracts shall be grouped in bid packages to attract national bidders.

(ii) Improvement of Bidding Procedures

In order to ensure economy, efficiency, transparency and broad consistency with the provisions of Section 1 of the Guidelines:

(aa) invitations to bid shall be advertised in at least one national newspaper with a wide circulation, at least 30 days prior to the deadline for the submission of bids;

(bb) bid documents shall be made available, by mail or in person, to all who are willing to pay the required fee;

(cc) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders in the bidding process;

(dd) qualification criteria (in case pre-qualification was not carried out) shall be stated in the bidding documents, and, if a registration process is required, a foreign firm declared as the lowest evaluated bidder shall be given a reasonable opportunity of registering, without let or hindrance;

(ee) bids shall be opened in public in one location, immediately after the deadline for submission of bids;

(ff) bids shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;

(gg) contracts shall be awarded to the lowest evaluated bidders;

(hh) post-bidding negotiations shall not be allowed with the lowest evaluated or any other bidders;

(ii) re-bidding shall not be carried out without the Association's prior concurrence;

(jj) all bidders/contractors shall provide bid/performance

security as indicated in the bidding/contract documents;

- (kk) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed by the Association.
- (ll) a bidder's Bid Security shall apply only to a specific bid, and a contractor's performance security shall apply only to the specific contract under which it was furnished;
- (mm) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (nn) extension of bid validity shall not be allowed unless justified by exceptional circumstances; and
- (oo) there shall not be any restrictions on the means of delivery of the bids.

2. National Shopping

Goods estimated to cost less than \$20,000 equivalent per contract, up to an aggregate amount not to exceed \$410,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts in each year of Project implementation, the proposed procurement plan for the Project for that year, shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods and works shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to: (i) each contract for goods or works estimated to cost the equivalent of \$200,000 or more; and (ii) the first two contracts for civil works and goods procured in accordance with the provisions of Part C.1 of Section I of this Schedule irrespective of value the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

1. Consultants' services shall be procured in accordance with (a) the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999, subject to the modifications thereto set forth in paragraph 2 of this Part A (the Consultant Guidelines), and (b) the provisions of the following parts of this Section II.

2. In paragraph 1.10 of the Consultant Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultants' services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services under Part B of the Project, estimated to cost less than \$200,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Under a Fixed Budget or Single Source

Services relating to audits and impacts evaluations estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of either paragraph 3.5 or paragraphs 3.8 through 3.11 of the Consultant Guidelines.

2. Individuals Consultants

Services for tasks that meet the requirements set forth in paragraph 5.01 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals in each year of Project implementation, the proposed plan for the selection of consultants under the Project for that year shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Consultant Guidelines. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

