

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4193-BD

Financing Agreement

(Local Governance Support Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 28, 2006

Public Disclosure Authorized

CREDIT NUMBER 4193-BD

FINANCING AGREEMENT

AGREEMENT dated June 28, 2006, between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Association has decided to provide the financing provided for in this Agreement, on the basis, inter alia, of the commitment of the Recipient to the Program which is defined in Appendix to this Agreement. 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 the Financing 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 seventy six million three hundred thousand Special Drawing Rights (SDR 76,300,000) ("Credit") 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 February 1 and August 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with 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 LGD and the Eligible UPs 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 - REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
 - (a) A situation shall have arisen which shall make it improbable that the Program, or a significant part thereof will be carried out.
 - (b) The Local Government (Union Parishads) Ordinance shall have been amended, suspended, abrogated or waived so as to materially and adversely affect the ability of the Recipient or Eligible UP to perform any of their obligations.
 - (c) Any of the Legal Instruments has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient or the UP to perform any of its obligations under the Project.
 - (d) Any provisions of the Project Implementation Manual and UP Operational Manual shall have been amended, suspended, abrogated, repealed or waived, so as to affect materially and adversely the ability of the Recipient or the UP to perform any of its obligations under the Project.
- 4.02. The Additional Event of Acceleration consists of the following, namely that either event specified in paragraph (b), (c) or (d) of Section 4.01 of this Agreement has occurred.

ARTICLE V – EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has appointed a procurement specialist within LGD, with terms of reference, experience and qualifications satisfactory to the Association.
- 5.02. The Effectiveness Deadline is the date 120 days after the date of this Agreement.

ARTICLE VI – REPRESENTATIVE; ADDRESSES

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

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

- 6.03. 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) or
64145 (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/ Ismail Zabihullah

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Christine Wallich

Country Director
Bangladesh

SCHEDULE 1

Project Description

The objective of the Project is to develop an accountable system of local governance, capable to provide basic services that meet community priorities, supported by a predictable and transparent fiscal transfer system.

PartA: Sub-grants for Subprojects

1. Strengthening the capacity of Eligible UPs in planning, implementation and sustainable service delivery, and their financial sustainability, through the provision of a series of Subgrants for implementation of local infrastructure and investment Subprojects, and carrying out of a series of maintenance and management services related thereto.
2. Improving revenue generating capacity of Eligible UPs through the provision of Performance Subgrants for implementation of Subprojects.

Part B: Institutionalization of Accountability

Strengthening of the reporting and monitoring system to enhance accountability between UPs and the Recipient's national level agencies and departments, inter alia, through: (i) the revision and modification of reporting format to include a single quarterly report on the Subgrants; (ii) carrying out audits of selected Eligible UPs; (iii) training and orientation of UP Chairmen and members, staff and relevant community members and Upazila officials in the new reporting requirements; and (iv) the strengthening of the monitoring, inspection and evaluation system at LGD, including the installation of a management information system and provision of technical assistance in the development of software, data entry and analysis.

Part C: Local Governance Capacity Development

1. Provision of information support and core training to UPs and functionally related agencies in the area of Subproject implementation.
2. Provision of technical advisory services and equipment to: (i) develop information, education and communication (IEC) strategy and IEC implementation, including equipment, training and workshops, and preparation of appropriate posters, leaflets, radio spots and videos for dissemination; and (ii) disseminate basic information to UPs, communities and civil society on the size and conditions of access to Subgrants.
3. Provision of technical advisory services and logistical assistance to design and implement a cross-UP peer review process, through which selected UP members shall review and assess the performance of neighboring UPs, including: (i) identification of the

regional/thematic service providers; (ii) implementation of the peer learning process and evaluation of the peer learning activities; (iii) study tours; and (iv) provision of performance rewards for high performers.

4. Provision of technical advisory services and logistical assistance to strengthen the capacity of LGD, NILG and the C&AG in the overall coordination, implementation, monitoring and evaluation of the Project, including their backstopping functions in assessing UP performance, reviewing and controlling the transfer system, monitoring and developing the capacity of officials at UP and Upazila levels, and providing quality assurance on the audit of the UPs, financial management, procurement, project management, and specialized technical assistance.

5. Carrying out of training and workshops on: (i) training modules preparation; (ii) training of trainers; and (iii) survey-evaluation of the capacity building service providers.

6. Provision of Subgrants to carry out the activities described in paragraphs 1 through 5 above.

Part D: Policy Evaluation and Development Strengthening

1. Carrying out of detailed analyses, inter alia, on the evaluation of Subprojects and other decentralization efforts, and on enhancement of LGD capacity in policy analysis.

2. Carrying out of a workshop for the final evaluation of the Project's impact on development.

Part E: Social Protection Pilot

1. Carrying out of a pilot program of conditional provision of Subgrants for safety nets to selected households identified on the basis of transparent criteria, and financing of labor intensive works to create employment opportunities for the poor people.

2. Provision of technical advisory services and logistical assistance to the UPs in the implementation and monitoring of the pilot, including the carrying out of a baseline survey and impact assessment and training of UP officials.

SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. General Coordination

1. For the purpose of providing inter-institutional coordination to the Project, the Recipient shall constitute and maintain the PSC, to be chaired by the Secretary of LGD. The PSC shall, inter alia, include representatives of LGD, C&AG, NILG, Economic Relations Division, Finance Division, Planning Commission, Implementation Monitoring and Evaluation Division, and other relevant ministries and agencies of the Recipient, and development partners, and shall be responsible for overseeing execution, supervising and monitoring the Project in line with the implementation schedule, providing quality control in the preparation of the annual work programs and budgets, and facilitating day-to-day decisions on the implementation of the Project.

B. Project Implementation

2. The LGD, through the Director General of Monitoring, Inspection and Evaluation Wing, shall be responsible for Project management, coordination and performance. To that end, it shall, inter alia: (i) monitor and ensure timely implementation of the Project; (ii) prepare the annual work program and budget for the Project; (iii) operate the accounts, prepare withdrawal applications for disbursement and forward them to the Association, and arrange for annual audits; (iv) monitor and evaluate the progress of the Project; and (v) prepare quarterly financial monitoring reports, including information on financial execution and activity progress, and procurement for the current quarter and cumulative for the life of the Project.

3. The Recipient shall cause NILG to coordinate all capacity building and IEC activities under the Project, for which purpose, it shall, through LGD, by no later than forty five (45) days after the Effective Date, enter into an annually renewable work program agreement with NILG, satisfactory to the Association.

4. Without limitation upon the specific provisions of this Agreement, the Recipient shall carry out the Project in accordance with the Project Implementation Manual and the UP Operational Manual, and except as the Association shall otherwise agree, shall not amend or waive any provisions thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.

C. Environment and Social Safeguards

5. The Recipient shall carry out the Project in accordance with the Environment and Social Management Framework (ESMF).

6. The Recipient shall cause Eligible UPs:

(a) to ensure that the measures recommended in the ESMF are incorporated in the Legal Instrument documentation;

(b) prior to commencing the implementation of any Subproject and when required under the Environmental and Social Management Framework, carry out an environmental and social screening in accordance with the ESMF checklist, and in a form satisfactory to the Association;

(c) in the event that an environmental and social screening of a Subproject determines that such a Subproject, if carried out, would have a potential for negative environmental and social impact, not approve such a Subproject until an appropriate action has been discussed and agreed upon by the Recipient and the Association to mitigate such potential negative impact; and

(d) thereafter cause the relevant UP to carry out such agreed action and mitigation measures referred to in sub-paragraph (c) above.

D. Terms and Conditions for Financing of Subprojects Under Part A of the Project

7. Without limitation to the requirements set forth in the provisions of paragraph 4 of this Schedule, any Subproject under the Project shall:

(a) be initiated by an Eligible UP and identified as an infrastructure investment activity (capital, non-capital, management and maintenance expenditures), acceptable to the Association, and consistent with the Local Government (Union Parishads) Ordinance;

(b) be appraised and carried out in accordance with the procedures and conditions set forth in the Project Implementation Manual and the UP Operational Manual;

(c) be economically and technically viable in accordance with the standards specified in the Project Implementation Manual and the UP Operational Manual;

(d) be in compliance with the standards set forth in the applicable laws and regulations of the Recipient relating to health, safety and environmental management, including the ESMF;

(e) exclude activities of a military or paramilitary nature or the purchase of items in the following SITC groups or subgroups, or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient;

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

(f) exclude ineligible Subprojects identified in the ESMF, the negative list included in the Project Implementation Manual and the UP Operational Manual, and salaries and allowance of councilors and staff; and

(g) exclude Subprojects that will involve any land acquisition, involuntary land contribution and involuntary resettlement of local population.

8. To be eligible for receiving a Subgrant to carry out a Subproject under Part A of the Project an Eligible UP shall satisfy the eligibility criteria specified in the Project Implementation Manual and the UP Operational Manual.

E. Legal Instrument

9. For the purposes of Part A of the Project, the Recipient, through LGD shall make arrangements, satisfactory to the Association, to describe the relationship with each UP, whereby the Recipient shall agree to provide to such UP a grant, on terms and conditions set forth in this paragraph 9, including details of disbursement schedules and procurement procedures, the amount of the UP's counterpart contribution, details of any further safeguards as may be needed for the management of the environment, and the following additional terms and Conditions:

(a) require the UP to carry out any Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards and practices, and maintain adequate records;

(b) obtain all such information as the Association or the Recipient shall reasonably request relating to the implementation of the Subproject, and the performance of the UP thereunder; and

(c) suspend or terminate the right of a UP to the use of the proceeds of the Credit upon failure by such UP to perform its obligations under the Legal Instrument.

10. Proceeds of the Credit allocated under Category (1) in the table set forth under paragraph 1 of Section IV of this Schedule, shall be disbursed in four (4) yearly installments, provided that the Recipient has furnished to the Association:

(a) for the first year of the Project:

(i) initial cashflow forecasts for FY 2007/2008 for Subgrants based on the results of the annual audit assessment, which includes the allocations by UP, as published in the budget schedule;

(ii) the Legal Instrument referred to in paragraph 9 of this Schedule; and

(iii) a copy of an agreement, in form satisfactory to the Association, between the LGD and a commercial bank, through which funds shall be channeled to UPs.

(b) for the second year of the Project:

- (i) a financial performance assessment report with respect to expenditures for Subgrants, in form and substance satisfactory to the Association, carried out by LGD in the preceding Fiscal Year;
- (ii) a schedule indicating the funds released by the Recipient to the UPs through Subgrants during the previous Fiscal Year, and amounts to be released in the following Fiscal Year, including the date of each release, and an initial cashflow forecasts for FY 2008/2009 for Subgrants based on the results of the annual assessment;
- (iii) certification indicating that there have been no: (A) significant reallocations, deviations; or (B) suspension of Financing in the first year, as compared to the indicative planning figures for the UPs; or providing clarifications and reasons for deviations, if any, that are consistent with the Project Implementation Manual and the UP Operational Manual;
- (iv) the Legal Instrument referred to in paragraph 9 of this Schedule in respect of any Eligible UP participating for the first time; and
- (v) a copy of an agreement, in form satisfactory to the Association, between the LGD and a commercial bank, through which funds shall be channeled to UPs, in respect of any Eligible UPs participating for the first time, or Eligible UPs that had participated in the earlier years but have switched to a new bank.

(c) for the third year of the Project:

- (i) a financial performance assessment report with respect to expenditures for Subgrants, in form and substance satisfactory to the Association, carried out by LGD in the preceding Fiscal Year;
- (ii) a schedule indicating the funds released by the Recipient to the UPs through Subgrants during the previous Fiscal Year, and amounts to be released in the following Fiscal Year, including the date of each release, and an initial cashflow forecasts for FY 2009/2010 for Subgrants based on the results of the annual assessment;

- (iii) certification indicating that there have been no: (A) significant reallocations, deviations; or (B) suspension of Financing in the second year as compared to the indicative planning figures for the UPs, or providing clarifications and reasons for deviations, if any, that are consistent with the Project Implementation Manual and the UP Operational Manual;
 - (iv) the Legal Instrument referred to under paragraph 9 of this Schedule in respect of any Eligible UPs participating for the first time; and
 - (v) a copy of an agreement, in form satisfactory to the Association, between the LGD and a commercial bank, through which funds shall be channeled to UPs, in respect of any Eligible UPs participating for the first time, or Eligible UPs that had participated in the earlier years but have switched to a new bank.
- (d) for the fourth year of the Project:
- (i) a financial performance assessment report with respect to expenditures for Subgrants, in form and substance satisfactory to the Association, carried out by LGD in the preceding Fiscal Year;
 - (ii) a schedule indicating the funds released by the Recipient to the UPs through Subgrants during the previous Fiscal Year, and amounts to be released in the following Fiscal Year, including the date of each release, and an initial cashflow forecasts for FY 2010/2011 for Subgrants based on the results of the annual assessment;
 - (iii) certification indicating that there have been no: (A) significant reallocations, deviations; or (B) suspension of Financing in the second year as compared to the indicative planning figures for the UPs, or providing clarifications and reasons for deviations, if any, that are consistent with the Project Implementation Manual and the UP Operational Manual;
 - (iv) the Legal Instrument referred to under paragraph 9 of this Schedule in respect of any Eligible UPs participating for the first time; and

- (v) a copy of an agreement, in form satisfactory to the Association, between the LGD and a commercial bank, through which funds shall be channeled to UPs, in respect of any Eligible UPs participating for the first time, or Eligible UPs that had participated in the earlier years but have switched to a new bank.

F: Terms and Conditions for the Financing of Subprojects under Parts C and E

11. For the purposes of Parts C and E of the Project, the Recipient, through LGD shall make necessary arrangements, satisfactory to the Association, to disburse Subgrants to the Beneficiaries, on terms and conditions set forth in the Project Implementation Manual and the UP Operational Manual.

Section II. Project Monitoring, Reporting, Evaluation

A. Project Reports

1. 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 agreed with the Association. Each Project Report shall cover the period of six calendar months, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.
2. For purposes of Section 4.08(c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than December 31, 2011.
3. Without limitation to the provision of paragraph 1 above, the Recipient shall not later than April 30, 2009, carry out jointly with the Association a midterm review, which shall cover among other things: (i) the performance by UPs under Part A of the Project; (ii) progress in meeting the Project's objectives; (iii) overall Project performance as measured against the performance indicators referred to in said paragraph; and (iv) thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives 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 as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, interim un-audited 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 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 and Works.** All goods and works required for the Project, and to be financed out of the proceeds of the Financing, with the exception of those carried out by the UPs, 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 Schedule.
2. **Consultants' Services.** All consultants' services required for the Project, and to be financed out of the proceeds of the Financing, with the exception of those carried out by the UPs, 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 Schedule.
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 and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works, with the exception of those carried out by the UPs, shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Procurement of Goods and Works through the Recipient's Procurement Regulations.** The following table specifies the methods of procurement to be used in accordance with the Recipient's Procurement Regulations. The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraphs 2 and 3 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, to be used in accordance with the Consultants' Guidelines for services procured internationally or the Recipient's Procurement Regulations for services procured locally. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality- and Cost-based Selection
(b) Fixed Budget Selection
(c) Least Cost Selection
(d) Consultants' Qualifications
(e) Single Source Selection
(f) Individual Consultants

3. **Procurement from UN Agencies.** Services under Part E of the Project may be procured from the United Nations agencies in accordance with the provisions of 3.15 of the Consultant Guidelines.

D. Review by the Bank of Procurement Decisions

1. Except as the Association shall otherwise determine by notice to the Recipient, the following contracts shall be subject to Prior Review by the Association: (a) each contract for goods or works, estimated to cost the equivalent of \$200,000 or more, and the first contract for goods regardless of value, and method; (b) each contract for consultants' services provided by a firm, estimated to cost the equivalent of \$100,000 or more; (c) each contract for services of individual consultants, estimated to cost the equivalent of \$50,000 or more; and (d) all contracts for consultants' services procured under single source selection. All other contracts shall be subject to Post Review by the Association.

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 this Section and such additional instructions as the Association may specify by notice to the Recipient, 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 Credit (“Category”), the allocations of the amounts of the Credit 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
(1) Subgrants for Subprojects under Part A of the Project	59,600,000	100%
(2) Subgrants for Subprojects under Part C of the Project	1,100,000	100%
(3) Subgrants under Part E of the Project	960,000	100%
(4) Operating Costs	480,000	100%
(5) Consultant Services, including training, workshops and audits, and goods	12,730,000	100%
(6) Unallocated	1,430,000	
TOTAL AMOUNT	76,300,000	

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; and
 - (b) under Categories (1), (2) and/or (3), unless the Subproject for purposes of which withdrawal of Credit proceeds is sought has been prepared in accordance with the procedures and on the terms and conditions set forth or referred to in the UP Operational Manual.
2. The Closing Date is June 30, 2011.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage)*
On each February 1 and August 1:	
Commencing August 1, 2016 to and including February 1, 2026	1%
Commencing August 1, 2026 to and including February 1, 2046.	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

Section I. Definitions

1. “Beneficiary” means any of the UPs (as hereinafter defined) to whom LGD (as hereinafter defined) has made or proposes to make a Subgrant (as hereinafter defined).
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
4. “C&AG” means the Recipient’s office of the Comptroller and Auditor General.
5. “Eligible UP” means a UP (as hereinafter defined), which is deemed to be eligible on the basis of the eligibility criteria referred to in the UP Operational Manual (as hereinafter defined), for accessing a Subgrant (as hereinafter defined).
6. “Environmental and Social Management Framework Report” or “ESMF” means the set of mitigation, monitoring and institutional measures to be carried out during the implementation of the Project to mitigate potential adverse environmental and social impacts, offset them, reduce them to acceptable levels, and/or to enhance positive impacts.
7. “Fiscal Year” means the Recipient’s Fiscal Year commencing on July 1 and ending on June 30 of the following year.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
9. “Legal Instrument” means any legal instrument including, inter alia, a Memorandum of Understanding, Resolution, Contract, Decree or a similar arrangement governing the relation among LGD and UPs, in each case setting forth, inter alia, the terms and conditions for: (a) the release of a Subgrant; (b) the use of, and the nature of activities and expenditures to be financed with the proceeds of, such Subgrant; and (c) the reporting, monitoring and auditing requirements relating to the release and use of such Subgrant.
10. “Local Government (Union Parishads) Ordinance” means the UP Ordinance of 1983, as amended, including all other decrees, directives, and guidelines related thereto or emanating therefrom.

11. “LGD” means the Local Government Division of the Recipient’s Ministry of Local Government, Rural Development and Cooperatives.
12. “NILG” means the Recipient’s National Institute of Local Government which is responsible for capacity building, training and research on local government.
13. “Operating Costs” means: (a) expenditures incurred by the LGD, NILG, and C&AG for the operation and maintenance of facilities, equipment and vehicles used for Project implementation (including, without limitation, office rental, vehicle rental, fuel, routine repair and maintenance of equipment, vehicles and office premises, communication costs, use of internet costs, stationeries and other office supplies, and costs of translation, printing, photocopying and advertising); (b) transportation costs and subsistence allowances for LGD NILG, and C&AG staff in travel status for Project implementation; and (c) salaries and allowances of incremental staff assigned to LGD NILG, and C&AG for Project implementation but excluding salaries of the Recipient’s civil servants.
14. “Performance Grants” means grants to be provided under Part A.2 of the Project to finance the costs of Subprojects and designed to reward well-performing UPs.
15. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
16. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 3, 2006, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
17. “Procurement Regulations” means the Recipient’s Public Procurement Regulations dated October 1, 2003.
18. “Program” means the program described in the Recipient’s Letter of Local Government Sector Policy dated 16 May 2006, furnished to the Association on 17 May 2006, designed to improve fiscal decentralization, the control and management of public expenditure, and to strengthen the fiscal and institutional capacity of its local governments to provide improved basic public services.
19. “Project Implementation Manual” means the Project Implementation Manual issued by the Recipient in May 2006, for the purpose of carrying out the Project, containing, inter alia, work programs, training programs, implementation time-table, key performance indicators, financial, procurement and safeguards compliance methods and procedures, and UP audit strategy, to be used in the implementation of the Project, as the same may be amended from time to time, in consultation with, and with the approval of, the Association, and such term includes any schedules to the Project Implementation Manual.

20. "PSC" means Project Steering Committee referred to in Section I A.1 of Schedule 2 to this Agreement.
21. "SITC" means the Standard International Trade Classification, Revision 3 (SITC. Rev. 3 (1986)) and such other future revisions as adopted by the Borrower and agreed by the Association.
22. "Subgrant" means any of the grants to be provided under Parts A, C and E of the Project to finance the costs of Subprojects.
23. "Subproject" means a set of activities or schemes to be carried out by a Beneficiary with the proceeds of a Subgrant under Parts A, C and E of the Project.
24. "Taka" or "Tk" mean Bangladeshi Taka, the currency of the Recipient.
25. "UP" means Union Parishad, the elected local government body, established under the "Local Government (Union Parishads) Ordinance and provided for by the Constitution of Bangladesh, and which, inter alia, is responsible, within its territorial jurisdiction, for the: (a) coordination of public service delivery and its providers; (b) maintenance of public order and conflict resolution and mediation; and (c) preparation and implementation of plans relating to public services and economic development.
26. "UP Operational Manual" means the Operational Manual issued by the Recipient for the purpose of carrying out the Project, containing, inter alia, procedures, terms and conditions, and eligibility criteria for Subprojects, to be used in the implementation of Parts A, C and E of the Project, as the same may be amended from time to time, in consultation with, and with the approval of, the Association, and such term includes any schedules to the UP Operational Manual.
27. "Upazila" means a sub-district, an administrative unit in the territory of the Recipient.