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CONFORMED COPY

CREDIT NUMBER 4350-BD

Financing Agreement

(Public Procurement Reform Project II)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 26, 2007

CREDIT NUMBER 4350-BD

FINANCING AGREEMENT

AGREEMENT dated July 26, 2007, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

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

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 fifteen million five-hundred thousand Special Drawing Rights (SDR 15,500,000) ("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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 January 1 and July 1 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollars.

ARTICLE III — PROJECT

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

ARTICLE IV — EFFECTIVENESS; TERMINATION

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

ARTICLE V — REPRESENTATIVE; ADDRESSES

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

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

Facsimile:
88028113088

5.03. The Association's Address is:

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

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

AGREED at Dhaka, Bangladesh, as of the day and year first above written.

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Md. Aminul Islam Bhuiyan
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Xian Zhu
Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to strengthen the Recipient's public procurement system, with a particular focus on improving the performance of Target Agencies, through: (a) enhancing capacity by creating a sustained program to develop skilled procurement professionals; (b) strengthening management and monitoring of the procurement process; (c) introducing electronic government procurement; and (d) creating greater awareness of a well functioning public procurement system through the mobilization of civil society, think tanks, beneficiaries and the private sector.

The Project consists of the following parts:

Part A: Policy Reform and Capacity Development

1. Provision of technical advisory services for the amendment of a series of secondary legislations, regulatory instruments and ancillary documents to harmonize them with the Recipient's Procurement Law 2006.
2. Provision of a series of long and short term training including, inter alia, (a) procurement courses for goods, works, and services; (b) training of focal persons; (c) training for the development of procurement core competency skills; (d) training for junior level officers, policy makers, civil service officers and auditors; (e) training for the bidding community; and (f) general orientation courses.

Part B: Procurement Management Strengthening

1. Strengthening of public sector agencies through: (a) the provision of technical advisory services to identify specific sets of arrangements for each Target Agency to address the d efficiencies identified in bidding practices, contract management, and procurement planning and budgeting; (b) the provision of technical support and equipment to the Target Agencies in developing a strategy and plans for the implementation of new rules and practices; (c) the provision of physical, infrastructural and logistical support to Target Agencies in the collection of data for tracking and monitoring of procurement, including establishment and integration of CPTU's monitoring system "PROMIS" into a fully functional system; (d) the integration of "PROMIS" with RHD's contract management system to enable it to operate with a fully functional automated system to track bidding process and contract performance.

2. Provision of technical advisory services to strengthen CPTU's organizational structure and the units within IMED linked to CPTU.
3. Provision of technical advisory services to develop a nation-wide database of contractors, local construction and contracting industries.

Part C: E-Government Procurement (E-GP)

1. Implementation of E-GP in the areas of publication of notices and contract awards, e-bidding, e-purchasing, and e-contract management, development of a single web-based system, formation of an E-GP technical support unit, capacity development and training on E-GP for key procuring entities, E-GP awareness campaign, and introducing E-GP in Target Agencies for international procurement.
2. Provision of technical advisory services and equipment to reduce the cost and increase the accessibility of information through the introduction of E-procurement, development of processes, clarification of lines of authority and specification of standardized procedures and terms and conditions.

Part D: Communication, Behavioral Change, and Social Accountability

1. Provision of technical advisory services and equipment to facilitate the implementation of the rules and regulations that will govern public procurement under the procurement laws, including inter alia: (a) design and implementation of a communication strategy; (b) education program (c) behavioral change; and (d) advocacy campaigns.
2. Facilitate the establishment of an entry point for engagement of beneficiary groups, community support groups, civil society groups, non-profit organizations, business chambers, or media apex bodies, in monitoring the implementation of the procurement laws and associated procurement outcomes, inter alia, through the provision of technical advisory services and equipment to (a) improve public access to procurement related information; (b) carry out technical training of media professionals and other interested parties; (c) establish a government-contractors forum; and (d) enhance formal arrangements amongst stakeholders.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall carry out the Project through IMED which shall cause CPTU to be responsible for the day-to-day activities related to the Project.
2. The Recipient shall carry out Parts B, C and D of the Project through the appropriate units in the Target Agencies, each of which shall implement Project activities that are within their purview.
3. In order to provide oversight to the Project, the Recipient shall establish, no later than December 31, 2007, and maintain until the completion of the Project, a Project Steering Committee, headed by IMED Secretary, including representatives from the Target Agencies.
4. The Recipient shall maintain, until the completion of the Project (i) a Procurement Monitoring Coordinator, in each Target Agency; (ii) the Consultative Committee; and (iii) the PPSC.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators agreed with the Association. Each Project Report shall include detailed results monitoring indicators for each Parts of the Project, and cover the period of one calendar semester, and shall be furnished to the Association not later than one month after the end of the period covered by such report.
- (b) The indicators referred to in sub-paragraph (a) above shall, inter alia, consist of the following: (i) reduction of delays by making contract awards within the initial bid validity period in at least 60% contracts, and in at least three Target Agencies; (ii) introduction of E-GP in at least two Target Agencies at their head quarter level for international procurement; and (iii) increase in stakeholder engagement in following-up of procurement issues in at least two Target Agencies.

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 one month after the end of each reporting period.

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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association, as part of the Project Report, not later than one month after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09(b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six 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, 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, 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, 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.** Within the overall context of Procurement Guidelines, local procurement of goods estimated to cost less than US\$300,000 per contract, and works estimated to cost less than US\$500,000 per contract, will follow the Recipient's Procurement Laws. The following table specifies the methods of procurement to be used in accordance with the Recipient's Procurement Laws. 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

3. **For the purpose of National Competitive Bidding, the following shall apply:** (a) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder; (b) bids should be submitted and opened in public in one location immediately after the deadline for submission; and (c) rebidding shall not be carried out, except with the Association's prior agreement.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.**

Within the overall context of Consultant Guidelines, local procurement of services of firms (for which the shortlist may be comprised entirely of national consultants) estimated to cost less than US\$200,000 per contract, and services of individual consultants estimated to cost less than US\$50,000 per contract will follow the Recipient's Procurement Laws. 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 Laws for

services procured locally. The Procurement Plan shall specify the circumstances under which such methods may be used.

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

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) the first contract for goods by each implementing agency following the National Competitive Bidding method, and thereafter contracts estimated to cost US\$300,000 equivalent or more, regardless of the procedure; (b) the first contract for works following the National Competitive Bidding method, and thereafter all contracts estimated to cost US\$500,000 equivalent or more, regardless of the procedure; (c) each contract for consultants' services provided by a firm, estimated to cost the equivalent of \$100,000 or more; (d) each contract for services of individual consultants, estimated to cost the equivalent of \$50,000 or more; (e) qualification and terms of reference of individual consultants contract below equivalent of \$50,000; and (f) all contracts for goods procured under direct contracting and 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 Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made

applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the 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) Goods, works, consultants’ services, training, salaries of incremental Project staff, and allowance for Project staff	15,060,000	100%
(2) Operating Costs	440,000	34%
TOTAL AMOUNT	15,500,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. **The Closing Date is March 31, 2013.**

Section V. Other Undertakings

- A. The Recipient shall: (i) maintain the CPTU adequately staffed and fully funded from the Recipient’s revenue budget; (ii) cause the CPTU to be headed by a Director General, and assisted by three Directors; (iii) maintain, until March 31, 2008, the current Director General of CPTU to operate as Project Director; and (iv) thereafter appoint, and maintain until the completion of the Project, a new Director General, for successful implementation of the Project to the satisfaction of the Association.
- B. The Recipient shall, no later than two months after the Effective Date, employ one more director in CPTU, with terms of reference and experience acceptable to the Association.

- C. The Recipient shall, no later than two months after the Effective Date, (i) take all necessary action required on its part, including regulatory action, to issue the procurement rules for the implementation of the Public Procurement Act 2006; (ii) employ a financial management expert to assist in the implementation of the Project; and (iii) furnish evidence to the Association confirming that CPTU has become a permanent entity entirely financed from the Recipient's revenue budget.
- D. The Recipient shall, no later than three months after the Effective Date, employ an implementation and capacity development consultant to assist in the carrying out of the Project.
- E. The Recipient shall, no later than three months after the Effective Date, employ three more Deputy Directors in CPTU.
- F. The Recipient shall employ, no later than nine months after the Effective Date, a procurement reform implementation advisor to assist the Director General of CPTU with terms of reference and experience acceptable to the Association.
- G. The Recipient shall, no later than fifteen (15) months after the Effective Date (i) install the procurement performance monitoring system of CPTU and operationalize it in all Target Agencies, and (ii) develop and install the E-GP system in CPTU and in at least three Target Agencies.
- H. The Recipient shall, no later than eighteen (18) months after the Effective Date, commence the piloting of E-GP in at least two Target Agencies.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each January 1 and July 1:	
commencing January 1, 2018, to and including, July 1, 2027	1%
commencing January 1, 2028, to and including, July 1, 2047	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. “BWDB” Bangladesh Water Development Board established under the Recipient’s Act No. 26 of 2000, or any successor thereto.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “CC” means Consultative Committee, established by the Recipient for the purpose of providing policy guidance on procurement reform across the country, harmonizing national procedures, and initiating and encouraging the creation of formal arrangements for external monitoring of procurement, which is chaired by IMED Secretary, and which includes representatives from its policy-making ministries and agencies.
4. “CSG” means community support groups including, inter alia, beneficiary groups, civil society groups, non-profit organizations, business chambers or media apex bodies.
5. “CPTU” means the Central Procurement Technical Unit, within IMED (as hereinafter defined) and referred to in the Public Procurement Act 2006 (as hereinafter defined).
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
7. “E-GP” means Electronic Government Procurement.
8. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
9. “IMED” means Implementation Monitoring and Evaluation Division within the Recipient’s Ministry of Planning.
10. “LGED” means the Local Government Engineering Department of the Local Government Division of the Recipient’s Ministry of Local Government, Rural Development and Cooperatives.
11. “Operating Costs” means costs incurred by CPTU on account of the operation and maintenance of equipment and vehicles, costs of office and vehicle rental, costs of consumables, fuel, office utilities and supplies, bank charges, and advertising expenses, but excluding the salaries of the Recipient’s civil servants.

12. “PMCs” means Procurement Monitoring Coordinators, nominated by Target Agencies (as hereinafter defined) to coordinate and monitor implementation of procurement regulations and reform actions under the Project.
13. “PPSC” means Public-Private Stakeholders Committee, established by the Recipient, for the purpose of facilitating formal arrangements of the external monitoring of procurement, which includes reputable individuals and representatives of civil society, beneficiary groups, think tanks, professional bodies, business apex bodies and senior government officials.
14. “Procurement Act” means the Recipient’s Public Procurement Act of 2006.
15. “Procurement Regulations” means the Recipient’s Public Procurement Regulations dated October 1, 2003.
16. “Procurement Laws” include collectively the Recipient’s Public Procurement Regulations dated October 1, 2003 and the Recipient’s Public Procurement Act 2006.
17. “PSC” means Project Steering Committee referred to in Paragraph 3 of Section I of Schedule 2 to this Agreement.
18. “PROMIS” means Procurement Management Information System of CPTU.
19. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
20. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated May 2007, 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.
21. “REB” means the Rural Electrification Board established by the Recipient’s Rural Electrification Board Ordinance, 1977.
22. “RHD” means the Recipient’s Roads and Highways Department of the Recipient’s Ministry of Communications.
23. “Target Agencies” means collectively BWDB, LGED, REB and RHD.

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