

**CONFORMED COPY**

**LOAN NUMBER 7446-PAN**

# **Project Agreement**

**(Additional Loan for the Public Policy Reform Technical Assistance Project)**

**between**

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

**and**

**CONTRALORÍA GENERAL DE LA REPUBLICA DE PANAMÁ**

**Dated March 10, 2008**

## **PROJECT AGREEMENT**

Agreement dated March 10, 2008, entered into between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) and CONTRALORÍA GENERAL DE LA REPUBLICA DE PANAMÁ (“CGR”) (“Project Agreement”) in connection with the Loan Agreement (“Loan Agreement”) of same date between REPUBLICA DE PANAMÁ (“Borrower”) and the Bank. The Bank and the CGR hereby agree as follows:

### **ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions for the Project Agreement (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 Loan Agreement or the General Conditions for the Project Agreement.

### **ARTICLE II — PROJECT**

- 2.01. The CGR declares its commitment to the objective of the Project. To this end, the CGR shall carry out Parts A.2, A.3 and D.2 of the Project in accordance with the provisions of Article V of the General Conditions for the Project Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for Parts A.2 and Part A.3 and D.2 of the Project.
- 2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and CGR shall otherwise agree, CGR shall carry out Parts A.2, A.3 and D.2 of the Project in accordance with the General Conditions for the Project Agreement and the provisions of the Schedule to this Agreement.

### **ARTICLE III — REPRESENTATIVE; ADDRESSES**

- 3.01. CGR Representative is its Director of Foreign Affairs.
- 3.02. CGR’s Address is:

Ave. Balboa y Federico Boyd  
Apartado Postal 0816-01521  
Ciudad de Panamá  
Phone: 507-510-4346  
Fax: 507- 510-4399

3.03. The Bank's Address is:

International Bank for Reconstruction and Development  
1818 H Street, NW  
Washington, DC 20433  
United States of America

Cable:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423(MCI) or 64145(MCI)	1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Laura Frigenti

Authorized Representative

CONTRALORÍA GENERAL DE LA  
REPUBLICA DE PANAMÁ

By /s/ Carlos A. Vallarino

Authorized Representative

**SCHEDULE 1****Execution of Parts A.2; Part A.3 and D.2 of the Project****Section I. Implementation Arrangements****A. Institutional Arrangements**

The Borrower shall, for purposes of the Project, establish and thereafter maintain in CGR throughout the implementation of the Project a Project executing unit (PEU) which shall:

- (a) consist of staff appointed and employed with terms of reference, functions and resources satisfactory to the Bank at all times during the implementation of the Project;
- (b) be responsible for managing and monitoring the implementation of Parts A.2, A.3 and D.2 of the Project, including the procurement, financial, disbursement and reporting requirements under Parts A.2, A.3 and D.2 of the Project; and
- (c) be responsible for submitting to MEF, timely information needed in respect of audits and consolidated Project reporting requirements specified in the Loan Agreement.

**B. Anti-Corruption**

The CGR shall ensure that Parts A.2, A.3 and D.2 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

**C. Other Implementation Arrangements**

CGR shall promptly inform MEF and the Bank of any condition which interferes with, or threatens to interfere with the performance of its obligations under the Project Agreement.

**Section II. Project Monitoring, Reporting and Evaluation****A. Project Reports**

1. CGR shall monitor and evaluate the progress of Parts A.2, A.3 and D.2 of the Project and prepare Project Reports for Parts A.2, A.3 and D.2 of the Project in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators agreed with the Bank and set forth in the OM. Each such Project Report shall cover the period of one calendar semester and shall be

furnished to the Bank not later than forty five (45) days after the end of the period covered by such report. To that end, CGR shall, not later than 2 weeks before the due date for submission by MEF of the consolidated Project Report to the Bank, furnish to MEF partial reports covering the implementation of Parts A.2, A.3 and D.2 of the Project for incorporation into, and subsequent forwarding to the Bank of the consolidated Project Report for the Loan.

2. The CGR shall provide to the Borrower not later than six months after the Closing Date, for incorporation in the report referred to in Section 5.08 (c) of the General Conditions, all such information as the Borrower or the Bank shall reasonably request for the purposes of that Section.

**B. Financial Management, Financial Reports and Audits**

1. CGR shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to Parts A.2, Part A.3, and D.2 of the Project.
2. CGR, in collaboration with MEF, shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. To that end, CGR shall, not later than March 31 of each year, furnish to MEF its annual financial statements for auditing purposes.

**Section III. Procurement**

**A. General**

1. **Goods and Non-Consultant Services.** All goods and Non-Consultant Services required for Parts A.2, A.3 and D.2 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Guidelines for the Project Agreement, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for Parts A.2, Part A.3 and D.2 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Consultant Guidelines for this Project Agreement and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refers to the corresponding method described in the Procurement

Guidelines for the Project Agreement or Consultant Guidelines for the Project Agreement, as the case may be.

**B. Particular Methods of Procurement of Goods and Non Consultant Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and Non-Consultant Services shall be procured under contracts awarded on the basis of International Competitive Bidding procedures and subject to the following special provisions:

- (a) prior registration, obtaining a licenses or an agreement shall not be a requirement for any bidder to participate in bidding procedures;
- (b) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;
- (c) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and
- (d) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

2. **Other Methods of Procurement of Goods and Non-Consultant Services.**

The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and Non-Consultant Services .The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) National Competitive Bidding subject to the following provisions: <ul style="list-style-type: none"> <li>(i) standard bidding documents for NCB, acceptable to the Bank, should be used;</li> <li>(ii) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding;</li> <li>(iii) no bids of proposals shall be rejected, and no provisional awards shall be made at the time of bid opening;</li> <li>(iv) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices;</li> <li>(v) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid; and</li> <li>(vi) potential bidders shall be allowed adequate time to prepare bids which should not be less than 30 days, except for commodities and small goods and Non Consultant Services contracts.</li> </ul>

(b) Shopping, subject to the following provisions:
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| <ul style="list-style-type: none"> <li>(i) foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting quotations; and</li> <li>(ii) a minimum of three quotations shall be obtained as a condition to award the contract.</li> </ul> |
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(c) Direct Contracting, subject to the Bank's prior consent.
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**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 Consultant Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Method</u></b>
(a) Quality-Based Selection
(b) Selection under a Fixed Budget
(c) Least Cost Selection
(d) Selection based on Consultant's Qualifications
(e) Single Source Selection, subject to the Bank's prior written consent
(f) Procedures for the selection of Individual Consultants

3. **Special provisions.** All methods of procurement of consultants' services shall be carried out subject to the following special provisions:
  - (a) foreign firms shall not be required to be registered with local authorities as a prerequisite for submitting proposals;
  - (b) foreign consultants shall not be required to furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; and
  - (c) foreign consultants shall not be required to submit their proposals in person.

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth all contracts, including those which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.



**APPENDIX**

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Consultant Guidelines for the Project Agreement” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
3. “General Conditions for the Project Agreement” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 15, 2006).
4. “Procurement Guidelines for the Project Agreement” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
5. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated April 12, 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.