

CONFORMED COPY

CREDIT NUMBER 3639 BD

Development Credit Agreement

(Public Procurement Reform Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 13, 2002

CREDIT NUMBER 3639 BD

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 13, 2002, between PEOPLE'S REPUBLIC OF BANGLADESH (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) 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

(B) 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 October 6, 1999), (the General Conditions), constitute an integral part of this Agreement.

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- (a) the term “Authorized Allocation” means an amount equivalent to Taka 13,600,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 2(a) of Schedule 1(B) to this Agreement, provided, however, that unless the Association shall otherwise agree, the Authorized Allocation shall be limited to an amount equivalent to Taka 9,000,000 until the aggregate amount of withdrawals from the Credit Account plus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions shall be equal to or exceed the equivalent of SDR 800,000;
- (b) “BIAM” means Bangladesh Institute of Administration and Management;
- (c) “CPTU” means the Central Procurement Technical Unit, to be established by the Borrower within IMED;
- (d) “Eligible Categories” means Categories (1), (2), and (3) set forth in the table in Part A.1 of Schedule 1 to this Agreement;
- (e) “Eligible Expenditures” means the expenditures for goods and services referred to in Section 2.02 of this Agreement;
- (f) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;
- (g) “FY” or “fiscal year” means the fiscal year of the Borrower, commencing July 1 and ending June 30 of each year;
- (h) “IMED” means Implementation Monitoring and Evaluation Division within the Borrower’s Ministry of Planning;
- (i) “ITC-ILO” means International Training Center of the United Nations’ International Labor Organization;
- (j) “Project Implementation Plan” means the Project Implementation Plan agreed with the Borrower and referred to in paragraph 2 of Schedule 4 to this Agreement;

(k) "Service Contract" means the Contract, to be entered into between IMED and ITC-ILO, pursuant to Section 5.01(b) of this Agreement, governing the services to be provided by ITC-ILO to IMED, in connection with Parts B and C.1 of the Project;

(l) "Special Account" means the Convertible Taka Special Account referred to in Part B of Schedule 1 to this Agreement and described in the Circular dated September 2, 1991 as revised on May 4, 1992 and December 24, 1992 of the Finance Division of the Borrower's Ministry of Finance entitled "Procedures for Operation of Convertible Taka Special Account (CONTASA) of IDA-Aided Development Projects Under Government-Departments, Autonomous, Semi-Autonomous Bodies," as such Circular may be amended from time to time in agreement with the Association; and

(m) "Taka" means the currency of the Borrower.

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 three million six hundred thousand Special Drawing Rights (SDR 3,600,000).

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 expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be November 30, 2005, 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 ($\frac{3}{4}$ 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 April 1 and October 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 April 1 and October 1, commencing October 1, 2012 and ending April 1, 2042. Each installment to and including the installment payable on April 1, 2022 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, through IMED, with due diligence and efficiency and in conformity with appropriate practices, and shall provide, 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 in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods 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 3 to this Agreement.

Section 3.03. For the purposes of Section 9.06 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 for the future operation of the Project; and

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

Section 3.04. The Borrower shall:

(a) maintain and operate the CPTU, in a manner satisfactory to the Borrower and the Association;

(b) no later than one month after the Effective Date, issue a Government Order mandating the publication of all contract awards valued at \$200,000 and above, in the media; and by no later than three months after the Effective Date, commence publishing the awards of such contracts;

(c) no later than six months after the Effective Date, (i) introduce a streamlined internal procurement approval procedure with significantly reduced number of layers; and (ii) introduce procurement rules/procedures and appeal procedures;

(d) no later than nine months after the Effective Date, introduce standard bidding documents and request for proposals;

(e) no later than 13 months after the Effective Date, (i) establish management information system for procurement performance monitoring; and (ii) introduce mandatory procurement audit by independent auditors for public sector entities; and

(f) no later than 18 months after the Effective Date, prepare a draft procurement law.

Section 3.05. The Borrower shall cause IMED to appoint, no later than June 30, 2002, a financial management consultant (finance manager) in accordance with the provision of Section II of Schedule 3 to this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, 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,
 - (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited, and
 - (B) an opinion on such statements, records and accounts and report 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Association may 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 statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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. (a) The Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit;
- (ii) describes progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association no later than January 31, 2003, covering the period from the incurrence of the first expenditure under the Project through the end of December 31, 2002, and semi-annually thereafter.

ARTICLE V

Effectiveness; Termination

Section 5.01. The following events are specified as additional conditions to the effectiveness of this Agreement within the meaning of Section 12.01(b) of the General Conditions:

- (a) the Borrower has appointed, within CPTU, a Director General, a Director for Monitoring and Evaluation, and a Director for Rules and Procedures, and Training; and
- (b) the Service Contract has been executed and delivered, and all conditions precedent to its effectiveness have been fulfilled, except only the effectiveness of this Agreement.

Section 5.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. 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 of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. 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
Sher-e-Bangla Nagar
Dhaka, Bangladesh

Cable address:	Telex:	Facsimile:
BAHIRSAMPAD Dhaka	642226 SETU BJ	88028113088

For the Association:

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

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

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

PEOPLE'S REPUBLIC OF BANGLADESH

By /s/ Mr. Anisul Huq Chowdhury

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Mr. Frederick T. Temple

Country Director, Bangladesh

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods	485,000	100% of foreign expenditures, 100% of local expenditures (ex-factory cost) and 80% of local expenditures for other items procured locally
(2) Consultants' services, including Training		100%
(a) Service Contract	2,025,000	
(b) All other services	906,000	
(3) Incremental Operating Costs	24,000	100% for FY 2002 and FY 2003, and 60% thereafter
(4) Unallocated	160,000	
TOTAL	3,600,000	

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 Operating Costs” means costs incurred by CPTU on account of the operation and maintenance of equipment and vehicles, costs of consumables, fuel, and office utilities and supplies, but excluding the salaries of the Borrower’s civil service.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made 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 245,000, may be made on account of payments made for expenditures before that date but after January 1, 2002.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures for: (i) goods under contracts costing less than \$100,000 equivalent each; (ii) services of firms under contracts costing less than \$100,000 equivalent each; (iii) services of individual consultants under contracts costing less than \$50,000 equivalent each; (iv) Training; and (v) Incremental Operating Costs, under such terms and conditions as the Association shall specify by notice to the Borrower.

5. Except as the Association shall otherwise agree, the Borrower may use the Blanket Withdrawal Application Procedure for UN Agencies for all payments under the Service Contract, under such terms and conditions as the Association shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Taka a special deposit account, in a commercial bank, on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment.

2. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

(ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 3 of this Schedule for the payment or payments in respect of

which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures.

All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

3. 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.

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

(a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and Section 2.02 of this Agreement; or

(b) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, less the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

5. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount which was not an Eligible Expenditure; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) 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 or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, 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 paragraphs 5 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 2

Description of the Project

The objective of the Project is to improve governance in public procurement, thereby increasing efficiency, transparency, and accountability, and increasing the perception of probity in the procurement of goods, works and services by the Borrower's ministries, departments, statutory corporations and other public bodies.

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: Procurement Technical Unit

Provision of technical advisory services, equipment and operating costs for the establishment and operation of a Central Procurement Technical Unit, to be responsible for: (a) carrying out procurement reforms; and (b) issuing public procurement rules and procedures, and standard bidding documents.

Part B: Procurement Reforms

1. Provision of technical advisory services and equipment for the improvement of economy and efficiency through: (a) the introduction of public procurement rules and procedures, the development and publication of a set of standard bidding documents for goods and works, including sample models for BOT, BOO/turn-key contracts and community contracting, standard request for proposals for consultants' services, including NGO services, and sample form for bid/proposal evaluation reports; and (b) drafting of a procurement law.
2. Provision of technical advisory services and equipment for the improvement of transparency by: (a) publishing contract awards; (b) simplifying procedures for advertisement; and (c) introducing public procurement website and pilot electronic bidding.
3. Provision of technical advisory services and equipment for the improvement of accountability through: (a) the revision of procurement approval process by introducing a streamlined and transparent approval procedures with significantly reduced number of layers; (b) the revision of delegation of powers; (c) the introduction of appeal procedure, and mandatory procurement audit; and (d) the introduction of a code of conduct for public procurement staff and code of ethics for business communities.

Part C: Capacity Building

1. Provision of technical advisory services and equipment for: (a) the institutionalization

and carrying out of comprehensive and regular training programs for about 1600 participants through selected public and private training institutions;

(b) the development of course curriculum, teaching materials and training programs for various target groups including training of trainers, procurement professionals, government officials, public and private sector auditors and selected private sector staff; and (c) the initiation of an in-country procurement training program.

2. (a) Provision of technical advisory services and equipment for the establishment of monitoring and evaluation capacity in CPTU, through a fully computerized and real-time management information system, to track procurement performance of public sector entities.

(b) Provision of technical advisory services and equipment for the establishment of a public procurement website, integrated with the MIS, to provide access to procurement related information.

(c) Provision of training for about 600 participants in the area of project management.

* * *

The Project is expected to be completed by May 31, 2005.

SCHEDULE 3

Procurement

Section I. Procurement of Goods

Part A: General

1. Goods shall be procured in accordance with 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, September 1997 and January 1999 (the Guidelines) and the provisions of the following Parts of this Section I.

Part B: Procurement Procedures

1. (a) National Competitive Bidding

Goods estimated to cost less than \$ 200,000 equivalent per contract, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Improvement of Bidding Procedures

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

(i) standard bidding documents approved by the Association shall be used;

(ii) invitations to bids shall be advertised in at least one widely circulated

national daily newspaper and bidding documents shall be made available to prospective bidders, at least 28 days prior to the deadline for the submission of bids;

- (iii) bids shall not be invited on the basis of percentage premium or discount over the estimated cost;
- (iv) bidding documents shall be made available, by mail or in person, to all who are willing to pay the required fee;
- (v) foreign bidders shall not be precluded from bidding and no preference of any kind shall be given to national bidders;
- (vi) qualification criteria (in case pre-qualifications were not carried out) shall be stated in the bidding documents, and if a registration process is required, a foreign firm determined to be the lowest evaluated bidder shall be given reasonable opportunity of registering, without any let or hindrance;
- (vii) bidders may deliver bids, at their option, either in person or by courier service or by mail;
- (viii) all bidders shall provide bid security as indicated in the bidding documents. A bidder's bid security shall apply only to a specific bid;
- (ix) bids shall be opened in public in one place immediately, but no later than one hour, after the deadline for submission of bids;
- (x) evaluation of bids shall be made in strict adherence to the criteria disclosed in the bidding documents, in a format and specified period agreed with the Association;
- (xi) a bid shall not be rejected merely on the basis of a comparison with an official estimate without the prior concurrence of the Association;
- (xii) split award or lottery in award of contracts shall not be carried out. When two or more bidders quote the same lowest price, an investigation shall be made to determine any evidence of collusion, following which (A) if collusion is determined, the parties involved shall be disqualified and the award shall then be made to the next lowest evaluated and qualified bidder and (B) if no evidence of collusion can be confirmed, then fresh bids shall be invited after receiving the concurrence of the Association;
- (xiii) contracts shall be awarded to the lowest evaluated bidders within the initial period of bid validity so that extensions are not necessary. Extension of bid validity may be sought only under exceptional circumstances;

- (xiv) extension of bid validity shall not be allowed without the prior concurrence of the Association (A) for the first request for extension if it is longer than eight weeks and (B) for all subsequent requests for extensions irrespective of the period;
- (xv) negotiations shall not be allowed with the lowest evaluated or any other bidders;
- (xvi) re-bidding shall not be carried out without the Association's prior concurrence; and
- (xvii) all contractors or suppliers shall provide performance security as indicated in the contract documents. A contractor's or a supplier's performance security shall apply to a specific contract under which it was furnished.

2. International or National Shopping

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$650,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Computer software, books, journals and magazines to cost less than \$2,000 equivalent per contract, up to an aggregate amount not to exceed \$50,000 equivalent, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part C: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project 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 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 (a) each contract estimated to cost the equivalent of \$200,000 or more, and (b) the first contract procured in accordance with the procedures set forth in Part B.1 of this Section, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to the first two contracts procured in accordance with Part B.2 of this Section, the draft requests for quotations, evaluation of quotations, and the purchase order 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 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 Association in January 1997 and revised in September 1997 and January 1999, (the Consultant Guidelines), and (b) the provisions of the following Parts of this Section II.

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, estimated to cost less than \$100,000 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. Quality-based Selection

Services for the establishment of procurement monitoring system including the procurement website, estimated to cost the equivalent of \$100,000 or more per contract, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 through 3.4 of the Consultant Guidelines.

2. Selection Under a Fixed Budget

Services related to the procurement awareness campaign and procurement audit, estimated to cost less than \$100,000, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.5 of the Consultant Guidelines.

3. Single Source Selection

(a) Service Contract

The Service Contract for procurement reform technical assistance and procurement training, up to an aggregate amount not exceeding the equivalent of \$2,600,000, shall be entered on a sole-source basis with ITC-ILO in accordance with procedures previously agreed with the Association.

(b) Other contracts

Services of BIAM related to procurement training, up to an aggregate amount not exceeding the equivalent of \$700,000, and services of other institutions for research, studies, project management training, translation, and for seminars and workshops, which are estimated to cost less than \$200,000 equivalent per contract, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraphs 3.8 through 3.11 of the Consultant Guidelines.

4. Individual Consultants

Services required for the mid-term review, financial management, and other short term tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall 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, the proposed plan for the selection of consultants under the Project 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.

SCHEDULE 4

Implementation Program

1. IMED, through CPTU, shall be responsible for the overall carrying out of the Project. CPTU shall be headed by a Director General who shall function as the Project Director and oversee and manage all Project activities. The Director General shall be supported by two directors, one for monitoring and evaluation, and one for procurement rules/procedures and training.
 2. The Borrower shall implement the Project in accordance with the Project Implementation Plan, as revised and agreed with the Association, and except as the Association shall otherwise agree, the Borrower shall not amend or waive any provision thereof if, in the opinion of the Association, such amendment or waiver may materially and adversely affect the implementation of the Project.
 3. The Borrower shall establish and maintain a Steering Committee as specified in the Project Implementation Plan, which shall provide overall guidance in the implementation of the Project.
 4. 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 December 31, 2003, 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; and
 - (c) review with the Association, by January 31, 2004, or such later date as the Association shall request, the report referred to in paragraph (b) of this Section, and, 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.
- 