

CONFORMED COPY

CREDIT NUMBER 3790 BD

Project Agreement

(Telecommunications Technical Assistance Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

BANGLADESH TELECOMMUNICATION REGULATORY COMMISSION

Dated June 30, 2003

CREDIT NUMBER 3790 BD

PROJECT AGREEMENT

AGREEMENT, dated June 30, 2003, between INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association) and BANGLADESH TELECOMMUNICATION REGULATORY COMMISSION (BTRC).

WHEREAS (A) by the Development Credit Agreement of even date herewith between People's Republic of Bangladesh (the Borrower) and the Association, the Association has agreed to make available to the Borrower an amount in various currencies equivalent to six million seven hundred thousand Special Drawing Rights (SDR 6,700,000), on the terms and conditions set forth in the Development Credit Agreement, but only on conditions that BTRC agree to undertake such obligations toward the Association as are set forth in this Agreement;

(B) by a Subsidiary Grant Agreement to be entered into between the Borrower and BTRC, part of the proceeds of the credit provided for under the Development Credit Agreement will be made available to BTRC on the terms and conditions set forth in said Subsidiary Grant Agreement; and

WHEREAS BTRC, in consideration of the Association's entering into the Development Credit Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Development Credit Agreement, in the Preamble to this Agreement and in the General Conditions (as so defined) have the respective meanings therein set forth, and "Financial Monitoring Report" means each report prepared in accordance with Section 4.02 of this Agreement.

ARTICLE II

Execution of the Project

Section 2.01. (a) BTRC declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Development Credit Agreement, and, to this end, shall carry out Part B of the Project with due diligence and efficiency and in conformity with appropriate administrative, financial, engineering and telecommunications practices, and shall provide, or cause to be provided, promptly as needed, the funds, facilities, services and other resources required for Part B of the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Association shall otherwise agree, BTRC shall carry out Part B of the Project in accordance with the Implementation Program set forth in Schedule 1 to this Agreement.

Section 2.02. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for Part B of the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the Development Credit Agreement.

Section 2.03. (a) BTRC shall carry out the obligations set forth in Sections 9.03, 9.04, 9.05, 9.06, 9.07 and 9.08 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

(b) For the purposes of Section 9.06 of the General Conditions and without limitation thereto, BTRC shall:

- (i) 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 Association and BTRC, a plan for the future operation of Part B of the Project; and
- (ii) afford the Association a reasonable opportunity to exchange views with BTRC on said plan.

Section 2.04. BTRC shall duly perform all its obligations under the Subsidiary Grant Agreement. Except as the Association shall otherwise agree, BTRC shall not take or concur in any action which would have the effect of amending, abrogating, assigning or waiving the Subsidiary Grant Agreement or any provision thereof.

Section 2.05. (a) BTRC shall, at the request of the Association, exchange views with the Association with regard to the progress of Part B of the Project, the performance

of its obligations under this Agreement and under the Subsidiary Grant Agreement, and other matters relating to the purposes of the Credit.

(b) BTRC shall promptly inform the Association of any condition which interferes or threatens to interfere with the progress of Part B of the Project, the accomplishment of the purposes of the Credit, or the performance by BTRC of its obligations under this Agreement and under the Subsidiary Grant Agreement.

Section 2.06. BTRC shall, by no later than January 1, 2004, fill in the position of its assistant director (Finance and Revenue).

ARTICLE III

Management and Operations of BTRC

Section 3.01. BTRC shall carry on its operations and conduct its affairs in accordance with sound administrative, financial and telecommunications practices under the supervision of qualified and experienced management assisted by competent staff in adequate numbers.

Section 3.02. BTRC shall: (a) by no later than December 31, 2003, announce an interconnection regime, in form and substance acceptable to the Association, including, *inter alia*, interconnection regulations, model interconnection agreement, guidelines and methodologies for determining interconnection costs and charges, reference interconnection offer, and dispute resolution mechanisms, and shall, take all necessary measures to ensure the implementation of such regime by no later than December 31, 2004; (b) by no later than December 31, 2004, develop and implement a national frequency allocation plan and spectrum pricing policy; and (c) by no later than December 31, 2004, furnish to the Association, a human resources development plan for its spectrum management and monitoring unit.

Section 3.03. BTRC shall, prior to issuing bidding documents for the spectrum management and monitoring system, secure land for its spectrum management monitoring stations.

ARTICLE IV

Financial Covenants

Section 4.01. (a) BTRC shall maintain a financial management system, including records and accounts, and prepare financial statements, all in accordance with accounting standards acceptable to the Association, consistently applied, adequate to reflect its operations and financial condition and to register separately the operations, resources and expenditures related to Part B of the Project.

- (b) BTRC shall:
- (i) have its records, accounts and financial statements (balance sheets, statements of income and expenses and related statements) 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 and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
 - (iii) furnish to the Association such other information concerning such records, accounts and financial statements, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

Section 4.02. (a) Without limitation upon BTRC's reporting obligations set out in Section 4.01, BTRC 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 Part B of the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and previously forecast uses of such funds;
- (ii) describes physical progress in the implementation of Part B of the Project, both cumulatively and for the period covered by said report, and explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under Part B of the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under Part B of the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Effective Date; Termination; Cancellation and Suspension

Section 5.01. This Agreement shall come into force and effect on the date upon which the Development Credit Agreement becomes effective.

Section 5.02. (a) This Agreement and all obligations of the Association and of BTRC thereunder shall terminate on the earlier of the following two dates:

- (i) the date on which the Development Credit Agreement shall terminate in accordance with its terms; or
- (ii) the date 20 years after the date of this Agreement.

(b) If the Development Credit Agreement terminates in accordance with its terms before the date specified in paragraph (a) (ii) of this Section, the Association shall promptly notify BTRC of this event.

Section 5.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

ARTICLE VI

Miscellaneous Provisions

Section 6.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telex or facsimile to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. Deliveries made by facsimile transmission shall also be confirmed by mail. The addresses so specified are:

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

For BTRC:

Chairman
Bangladesh Telecommunication Regulatory Commission
House No. 10, Road No. 135, Gulshan-1,
Dhaka 1212, Bangladesh

Facsimile:

880-2-9890029

Section 6.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement on behalf of BTRC, may be taken or executed by its Chairman or such other person or persons as the Chairman shall designate in writing, and BTRC shall furnish to the Association sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 6.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

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, People's Republic of Bangladesh, as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Frederick Temple

Country Director
Bangladesh

BANGLADESH TELECOMMUNICATION REGULATORY COMMISSION

By /s/ Syed Marghub Murshed

Authorized Representative

SCHEDULE 1

Implementation Program

- (a) BTRC shall:
- (i) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the performance set forth in Schedule 2 to this Agreement, the carrying out of Part B of the Project and the achievement of the objectives thereof;
 - (ii) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about September 1, 2005, a report integrating the results of the monitoring and evaluation activities performed pursuant to sub-paragraph (i) above, on the progress achieved in the carrying out of Part B 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 Part B of the Project and the achievement of the objectives thereof during the period following such date; and
 - (iii) review with the Association, by December 1, 2005, or such later date as the Association shall request, the report referred to in sub-paragraph (ii) above, and, thereafter, take all measures required to ensure the efficient completion of Part B 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) The review referred to in (a) above shall be aimed at, *inter alia*: (i) assessing progress in the implementation of key actions and performance indicators described in Schedule 2 to this Agreement; (ii) verifying the continued validity of the design assumptions in light of implementation experience and the evolving environment; (iii) discussing the tariff rebalancing plans for BTTB or its successor company and establish tariff rebalancing indicators and targets; and (iv) identifying remedial actions that might prove necessary to achieve the Project's objectives.

SCHEDULE 2

Performance Indicators

Unless otherwise agreed between the Association and BTRC, the following performance indicators shall be used to measure the achievement of Part B of the Project:

(a) BTTB or its successor company awarded a pro-competitive license by BTRC by end of 2004.

(b) Establishment of transparent licensing and regulatory regime and clear rules of business by end of 2004.

(c) Licensing of new operators to provide fixed-line local service by end of 2005.

(d) Licensing of new operators to provide domestic long distance services by end of 2005.

(e) Rebalancing of sector tariffs by end of 2006.

(f) Radio frequency assigned within 15 days of application by end of 2006 for 90% of the applications.