

Public Disclosure Authorized

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**CONFORMED COPY**

**CREDIT NUMBER 3177-1-BD**

# **Financing Agreement**

**(Additional Financing for Municipal Services Project)**

**between**

**PEOPLE'S REPUBLIC OF BANGLADESH**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated February 7, 2008**

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Public Disclosure Authorized

**CREDIT NUMBER 3177-1-BD**

**FINANCING AGREEMENT**

AGREEMENT dated February 7, 2008, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for activities related to the Original Project (as defined by cross-reference in the Appendix to this Agreement) to help in meeting the Recipient's increased funding requirement caused by the impact of floods that hit the Recipient's territory in August 2007. 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 or in the Appendix to this Agreement, or in the Original Financing Agreement (as defined in the Appendix to this Agreement).

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to fifteen million eight hundred thousand Special Drawing Rights (SDR 15,800,000) ("Additional 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 Additional Credit 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 The Service Charge payable by the Recipient on the Withdrawn Additional Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are February 1 and August 1 in each year.
- 2.06. The principal amount of the Additional 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 - 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 (20) 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

Telex:

Facsimile:

642226 SETU BJ

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 improve urban environment, infrastructure and services, and, to that end, to: (a) strengthen the institutional capacity of selected municipalities and city corporations; (b) improve resource allocation and fiscal discipline; and (c) support governmental efforts to reduce urban poverty and improve the environmental conditions of urban communities.

The Project consists of the Original Project.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Overall Project Implementation and Coordination**

The provisions of Schedules 5 and 6 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

##### **B. Anti-Corruption**

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

#### **Section II. Project Monitoring, Reporting and Evaluation**

##### **A. Project Reports**

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than one (1) month after the end of the period covered by such report.

##### **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 (1) 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 (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

**Section III. Procurement**

**A. General**

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Additional Credit 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 Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Additional Credit 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 Section.
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 the Procurement Guidelines, local procurement of goods estimated to cost less than US\$300,000 per contract, and works estimated to cost less than US\$1,000,000 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:

<b>Procurement Method</b>	
(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.

<b>Procurement Method</b>
(a) Quality-based Selection
(b) Fixed Budget Selection
(c) Consultants Qualification
(d) Single Source Selection
(e) 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) for goods, contracts estimated to cost US\$100,000 equivalent or more; (b) for works, contracts estimated to cost US\$300,000 equivalent or more; (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.



2. All other contracts shall be subject to Post Review by the Association.

**E. Other Undertakings**

1. The Recipient shall: (i) implement the Procurement Risk Mitigation Framework (PRMF); (ii) include the consultant's representative as a mandatory member in each bid evaluation committee; (iii) submit to the Association consultant's quarterly report covering the bidding process, implementation of PRMF, and quality of works.
2. The Recipient shall: (i) prior to the issuance of any invitation to bid for contracts, furnish to the Association, for its review and approval, and in accordance with the provisions of paragraph 1 of Appendix 1 to the Procurement Guidelines, a procurement plan, which shall include, *inter alia*, contract cost estimates, contract packaging, and applicable procurement procedures; (ii) update such plan at least every twelve (12) months during the execution of the Project always covering the next eighteen (18) months, and furnish each such updating to the Association for its review and approval; and (iii) carry out the procurement of all goods and works in accordance with such procurement plan as shall have been approved by the Association.

**Section IV. Withdrawal of the Proceeds of the Additional Credit**

**A. General**

1. The Recipient may withdraw the proceeds of the Additional Credit 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 Additional Credit ("Category"), the allocations of the amounts of the Additional Credit to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

<b>Category</b>	<b>Amount of the Additional Credit Allocated (Expressed in SDR Equivalent)</b>	<b>% of Expenditures to be Financed</b>
(1) Civil Works (for flood damage rehabilitation works)	13,840,000	80%
(2) Consultants' services and training	630,000	80%
(3) Unallocated	1,330,000	
<b>TOTAL</b>	<b>15,800,000</b>	

**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 June 30, 2011.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Additional Credit repayable (expressed as a percentage)*</b>
On each February 1 and August 1:	
commencing February 1, 2018 to and including August 1, 2027	1%
commencing February 1, 2028 to and including August 1, 2047	2%

\* The percentages represent the percentage of the principal amount of the Additional 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

All definitions contained in the Original Financing Agreement at Article I, Section 1.02 are incorporated by reference in this Additional Financing Agreement, and shall apply *mutatis mutandis* to the Additional Financing Agreement.

### Section II. Other Definitions

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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006, and apply to the selection and employment of consultants using the proceeds of the Additional Credit.
4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005, (as amended through October 15, 2006).
5. “Original Financing Agreement” means the development credit agreement for a Municipal Services Project between the Recipient and the Association, dated April 26, 1999, as amended to the date of this Agreement (Credit No. 3177-BD).
6. “Original Project” means the Project described in Schedule 2 to the Original Financing Agreement.
7. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004, and revised in October, 2006, and apply to the procurement of goods, works and non consultant services using the proceeds of the Additional Credit.
8. “Procurement Act” means the Recipient’s Public Procurement Act of 2006.
9. “Procurement Plan” means the procurement plan for the Project, to be prepared by the Recipient in accordance with paragraph E.2 of Section III of Schedule 2 to this Agreement, 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.

10. "Procurement Regulations" means the Recipient's Public Procurement Regulations dated October 1, 2003.
11. "Procurement Laws" include collectively the Recipient's Public Procurement Regulations dated October 1, 2003, and the Recipient's Public Procurement Act 2006.

**Section III. The modification to the General Conditions shall be as follows:**

1. The term "Credit" in paragraph 15 of the Appendix shall be deemed to also include this Additional Credit, and all references to "Credit", throughout the General Conditions, shall be deemed to be references to this Additional Credit.