Financing Agreement

(Digitizing Implementation Monitoring and Public Procurement Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 29, 2017
FINANCING AGREEMENT

AGREEMENT dated 29 August 2017, 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 or 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 forty million two hundred thousand Special Drawing Rights (SDR 40,200,000) (variously, “Credit” and “Financing”), 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 March 1st and September 1st 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 Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective 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 (20) years after the date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Senior Secretary/Secretary, or any Additional Secretary, or Joint Secretary/Joint Chief, Deputy Secretary/Deputy Chief, Senior Assistant Secretary/Senior Assistant Chief, Assistant Secretary/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
   Sher-e-Bangla Nagar
   Dhaka 1207
   Bangladesh
   Facsimile: +88029180788/+88029180671

5.03. The Association’s Address is:

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

Cable: INDEVAS
Telex: 248423 (MCI)
Facsimile: 1-202-477-6391

Washington, D.C.

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

PEOPLE'S REPUBLIC OF BANGLADESH

By

[Signature]
Authorized Representative

Name: Kazi Shafiquill Ahmed
Title: Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: Qimiao Fan
Title: Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve public procurement performance and enhance capacity for implementation monitoring of development programs/projects.

The Project consists of the following parts:

Part 1: Restructuring CPTU and Institutionalizing e-GP

1. Restructuring CPTU and Furthering Policy Reform

Providing technical assistance to restructure the Central Procurement Technical Unit ("CPTU") into an authority ("Public Procurement Authority") responsible for regulating the Recipient’s public procurement and electronic government procurement ("e-GP") including, inter alia: (a) providing technical assistance to support policy reforms and procurement data analysis, and (b) providing associated logistic, technical and implementation support and training to CPTU and the aforementioned authority.

2. Institutionalizing e-GP

Providing technical assistance to assist CPTU to institutionalize e-GP using a service provider model.

Part 2: Enhancing Digitization of Public Procurement

1. Expansion of e-GP System

Expanding the e-GP to the Recipient’s ministries, including, inter alia: (a) updating the e-GP modules with contract management processes; (b) operationalizing two (2) data centers; (c) modelling the e-GP business for self-sustainability; (d) enhancing existing e-GP training and acquiring equipment; and (e) providing logistic, technical and implementation support associated with the management, operation, and maintenance of the e-GP.

2. Implementation of Contract Management

(a) Upgrading the features of the existing contract management module, including, inter alia, introducing supplier’s database, e-catalogue, reverse auctions, framework agreements, supplier’s performance rating system, geotagging, asset tracking, and on-line payments.
Part 3: Professionalizing Procurement and Citizen Engagement

1. Improving Procurement Management of SPSOs, IMED and CPTU

Improving the capacity of selected public sector organizations ("SPSOs"), the Implementation Monitoring and Evaluation Division ("IMEd") and CPTU to carry out procurement activities following the Recipient's Public Procurement Act 2006 and international best practices including, *inter alia*, providing associated logistic, technical and implementation support and training.

2. Capacity Building and Professionalization of Procurement

(a) Developing and implementing a tier of procurement professional certification program.

(b) Designing and implementing comprehensive capacity development procurement programs and courses for SPSOs, agencies, communities and stakeholders.

(c) Carrying out twinning arrangements with selected international institutions and partners to support the above-mentioned capacity building activities.

3. Disclosure of Public Procurement Information in Open Data Format

Designing and implementing an open data system, with an advance analytics approach to improve collection, maintenance, analysis and dissemination of public procurement data and information in open and user-friendly formats, including improving the needed capacity to operate such open data system.

4. Citizen Engagement

Raising awareness among and building capacity of, stakeholders to use contracting data and provide them with monitoring tools at the ground level to foster informed and collaborative dialogue on procurement performance, including, *inter alia*: (a) enhancing gender areas; (b) mainstreaming public dialogue and beneficiary feedback; (c) setting up a citizen's portal for monitoring public spending *via-a-vis*
service delivery; and (d) designing and implementing qualitative and quantitative citizen engagement research tools.

5. **Strategic Communication**

Adopting a comprehensive strategic communication program to strengthen and institutionalize the systems and functions supported under the Project, including establishing a feedback mechanism to improve procurement performance.

**Part 4: Digitalizing Project Implementation Monitoring**

1. **Enhancing Project Management Information System**

Enhancing the Project management information system to capture real-time financial and physical progress of programs/projects connecting all ministries and implementing agencies, including, *inter alia*: (a) using of geo-tagging functions at field level; and (b) integrating such system with the e-GP.

2. **Reinforcing Monitoring Skills and Data Analysis**

Improving IMED’s capacity to monitor and evaluate development programs/project, including, *inter alia*: (a) digitizing IMED’s processes; (b) collecting information from the e-GP, contract management and other systems; and (c) providing associated logistics, equipment, technical and implementation support and training to selected Recipient’s officials.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Project Tier Governance Structure

The Recipient shall maintain or cause to establish and maintain, throughout the period of Project implementation, the below-mentioned three tier governance structure.

(a) Project Steering Committee. The Recipient shall maintain the Project Steering Committee ("PSC") with a mandate, functions, composition and resources satisfactory to the Association. Without limitation on the foregoing, the PSC shall: (i) be chaired by the Secretary of IMED and comprise heads of SPSOs or their authorized representatives and members of relevant ministries/organizations as required; and (ii) meet as frequently as necessary to: (A) provide strategic and policy direction on all Project activities; (B) review progress on Project implementation; and (C) address any obstacle during Project implementation.

(b) Project Coordination Team. The Recipient shall maintain a Project Coordination Team ("PCT") with a mandate, functions, composition and resources satisfactory to the Association. Without limitation on the foregoing, the PCT shall: (i) be headed by the Director General of the Central Procurement Technical Unit ("CPTU") and comprise officials from CPTU, IMED and one (1) Project monitoring coordinator from each SPSO (who shall be not below the rank of the executive engineer or equivalent) and members of relevant ministries/organizations as required; (ii) be responsible for coordinating all Project activities; and (iii) report to the PSC on all its assigned functions.

(c) Project Implementation Teams. The Recipient shall cause each SPSO to establish, and thereafter maintain a Project Implementation Team ("PIT") with a mandate, functions and resources satisfactory to the Association. Without limitation on the foregoing, each PIT shall be headed by one (1) Project monitoring coordinator and composed of relevant officials being a maximum number of 2 (two) on the basis of their involvement in procurement and technical functions.

2. Central Procurement Technical Unit

(a) Without limitation on the provisions of Part A of this Section, the Recipient shall maintain, throughout the period of Project implementation, the Central Procurement Technical Unit ("CPTU") with a mandate, functions and resources satisfactory to the Association, and with staff in adequate numbers and with
qualifications, experience and terms of reference satisfactory to the Association. Without limitation on the foregoing, the CPTU shall: (a) be headed by the Director General of CPTU as the Project director; and (b) be responsible for, inter alia, the overall Project implementation with the assistance of all the selected SPSOs.

(b) The Recipient shall not substitute the Director General mentioned in paragraph (a) above as Project Director until the Public Procurement Authority has been established in a manner satisfactory to the Association, unless the Recipient has established to the satisfaction of the Association prior to proceeding with the substitution of the Director General as Project Director that it has identified a replacement with qualifications and experience acceptable to the Association.

(c) By no later than twenty-four (24) months after the Effective Date, the Recipient shall: (i) restructure CPTU into a Public Procurement Authority with regulatory authority and terms of reference acceptable to the Association; and (ii) transfer all of CPTU’s implementation responsibilities under the Project, including relevant staff, to the Public Procurement Authority in a manner satisfactory to the Association. The Recipient shall ensure that the aforementioned transfer is carried out without interrupting the implementation of Project activities. No implementation responsibilities under the Project and staff assigned to CPTU shall be considered transferred to the Public Procurement Authority for the purpose of the Recipient’s obligations under this Project until: (i) the Association is satisfied that the Public Procurement Authority has the capacity to take over CPTU’s implementation responsibilities under the Project; and (ii) an agreement between the Association and the Public Procurement Authority has been executed with terms and conditions acceptable to the Association.

(d) Without limitation on the provisions of paragraph (a) above, the Recipient shall, by no later than three (3) months after the Effective Date, hire:

(i) two (2) financial management specialists and one (1) procurement specialist, under terms of reference satisfactory to the Association, and place within CPTU; and

(ii) a set of highly skilled professionals in adequate numbers and with qualifications, experience and terms of reference satisfactory to the Association to assist the CPTU in managing the Project (including the e-GP) including a principal Project management expert, database administrator and application administrator.

3. Environmental Codes of Practice

The Recipient shall ensure that each contract for installing/replacing equipment under the Project includes the obligation of the relevant contractor to comply with environmental codes of practice acceptable to the Association for e-waste disposal.
The Recipient shall monitor compliance with such environmental codes of practice.

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

The Recipient through CPTU 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 acceptable to the Association. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days 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 through CPTU shall prepare and furnish to the Association not later than forty-five (45) days after the end of every calendar quarter, interim unaudited financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient through CPTU shall have 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

All goods, non-consulting services and consulting 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 the Procurement Regulations and the provisions of the Procurement Plan.
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 “Disbursement Guidelines for Investment Project Financing” dated February 2017, 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 Credit (“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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods (excluding vehicles), non-consulting services, consulting services (except for Part 2.1(e) of the Project), and Training Costs of Project</td>
<td>37,950,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Incremental Operating Costs of the Project</td>
<td>750,000</td>
<td>33%</td>
</tr>
<tr>
<td>(3) Consulting services under Part 2.1(e) of the Project</td>
<td>1,500,000</td>
<td>40%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>40,200,000</td>
<td></td>
</tr>
</tbody>
</table>
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, except that withdrawals up to an aggregate amount not to exceed SDR3,650,000 may be made for payments prior to this date but on or after August 31, 2016 for Eligible Expenditures.

2. The Closing Date is June 30, 2022.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 1st and September 1st, commencing September 1, 2023 to and including March 1, 2055</td>
<td>1.5625%</td>
</tr>
</tbody>
</table>

* 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


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. "CPTU" means the Central Procurement Technical Unit within IMED and referred to in the Recipient's Public Procurement Act 2006 (as amended as of the date of this Agreement) and in Section I.A.2 of Schedule 2 to this Agreement.


6. "IMED" means the Implementation Monitoring and Evaluation Division, within the Recipient's Ministry of Planning, or any successor thereto.

7. "Incremental Operating Costs" means the reasonable costs required for the day-to-day coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, office rent, office supplies, utilities, consumables, communication expenses, translation, printing, photocopying and postal expenses, bank charges, advertising expenses, insurance, costs of clearing, forwarding, inspection, survey and transportation of goods, Project-related meeting expenses, Project-related travel, provided that such Incremental Operating Costs are paid to the eligible recipient through banking system (except for petty cash expenses following Recipient's existing policy); but excluding salaries, per diem, fuel, allowances and honorarium and/or other sitting allowances and honorarium of any other nature.

8. "Public Procurement Authority" means the authority to be established by the Recipient and referred to in Part 1.1 of Schedule 1 to this Agreement.

9. "Procurement Plan" means the Recipient's procurement plan for the Project, dated May 7, 2017 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.

11. "Project Coordination Team" and the acronym "PCT" mean the team referred to in Section I.A.1(b) of Schedule 2 to this Agreement.

12. "Project Implementation Team" and the acronym "PIT" mean each team referred to in Section I.A.1(c) of Schedule 2 to this Agreement.

13. "Project Steering Committee" and the acronym "PSC" mean the committee referred to in Section I.A.1(a) of Schedule 2 to this Agreement.

14. "SPSO" means a public sector organization which has been selected by the Recipient and acceptable to the Association for its participation in the Project.

15. "Training" means the reasonable costs required for the participation of personnel involved in training activities, conferences, seminars and workshops under the Project which have been approved by the Association in writing on annual basis, including: (a) travel, hotel, and subsistence costs for training, conferences, seminars and workshop participants provided that such allowances are paid directly to the eligible recipient using the banking system; and (b) costs associated with rental of training, conference, seminar and workshop facilities, preparation and reproduction of training, conference, seminar and workshop materials, costs of academic degree studies, and other costs directly related to training course or workshop preparation and implementation, but excluding sitting allowances and honorarium of any other nature.