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

between

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

and

DIRECCIÓN GENERAL DE CONTRATACIONES PÚBLICAS DE LA REPÚBLICA DE PANAMÁ

Dated March 10, 2008
PROJECT AGREEMENT

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

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions for the Project Agreement (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Loan Agreement or the General Conditions for the Project Agreement.

ARTICLE II — PROJECT

2.01. DGCP declares its commitment to the objective of the Project. To this end, DGCP shall carry out Parts C.1, C.2, C.3 and D.3 of the Project in accordance with the provisions of Article V of the General Conditions for the Project Agreement, and shall provide promptly as needed, the funds, facilities, services and other resources required for Parts C.1, C.2, C.3 and D.3 of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Bank and DGCP shall otherwise agree, DGCP shall carry out Parts C.1, C.2, C.3 and D.3 of the Project in accordance with the General Conditions for the Project Agreement and the provisions of the Schedule to this Agreement.

ARTICLE III — REPRESENTATIVE; ADDRESSES

3.01. DGCP Representative is its Director.

3.02. DGCP’s address is:

Plaza Credicorp Bank Panamá, piso 8
Calle 50, Ciudad de Panamá
Phone: 507-515-1501
Fax: 507-515-1502
3.03. The Bank’s Address is:

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

Cable: INTBAFRAD
Telex: 248423(MCI) or 64145(MCI)
Facsimile: 1-202-477-6391

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

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Laura Frigenti
Authorized Representative

DIRECCIÓN GENERAL DE CONTRATACIONES
PÚBLICAS DE LA REPÚBLICA DE PANAMÁ

By /s/ Federico Humbert
Authorized Representative
SCHEDULE 1

Execution of Parts C.1, C.2, C.3 and D.3 of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

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

(a) consist of staff, including a Procurement Specialist and a Project Manager, appointed and employed with terms of reference, functions and resources satisfactory to the Bank, at all times, during the implementation of the Project;

(b) be responsible for managing and monitoring the implementation of Parts C.1, C.2, C.3 and D.3 of the Project, including the procurement, financial, disbursement and reporting requirements under Parts C.1, C.2, C.3 and D.3 of the Project; and

(c) be responsible for submitting to MEF, timely information needed in respect of audits and consolidated Project reporting requirements specified in the Loan Agreement.

B. Anti-Corruption

DGCP shall ensure that Parts C.1, C.2, C.3 and D.3 of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Implementation Arrangements

1. Not later than 90 days after the Effective Date, DGCP shall carry out the action plan dated April 11, 2007, agreed with the Bank for the strengthening of its financial management capacity for the Project.

2. DGCP shall promptly inform MEF and the Bank of any condition which interferes with, or threatens to interfere with the performance of its obligations under the Project Agreement.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. DGCP shall monitor and evaluate the progress of Parts C.1, C.2, C.3 and D.3 of the Project and prepare Project Reports in relation thereto, in accordance with the provisions of Section 5.08 (b) of the General Conditions and on the basis of indicators agreed with the Bank and set forth in the OM. Each such Project Report shall cover the period of one calendar semester and shall be furnished to the Bank not later than forty five (45) days after the end of the period covered by such report. To that end, CGR shall, not later than 2 weeks before the due date for submission by MEF of the consolidated Project Report to the Bank, furnish to MEF partial reports covering the implementation of Parts C.1, C.2, C.3 and D.3 of the Project for incorporation into, and subsequent forwarding to the Bank of the consolidated Project Report for the Loan.

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

B. Financial Management, Financial Reports and Audits

1. DGCP shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, both in a manner adequate to reflect the operations, resources and expenditures related to Parts C.1, C.2, C.3 and D.3 of the Project.

2. DGCP, in collaboration with MEF, shall have its financial statements referred to above audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank. To that end, CGR shall, not later than March 31 of each year, furnish to MEF its annual financial statements for auditing purposes.

Section III. Procurement

A. General

1. Goods and Non-Consultant Services. All goods and Non-Consultant Services required for Parts C.1, C.2, C.3 and D.3 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Guidelines for the Project Agreement, and with the provisions of this Section.
2. **Consultants’ Services.** All consultants’ services required for Parts C.1, C.2, C.3 and D.3 of the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Consultant Guidelines for the Project Agreement and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines for the Project Agreement or Consultant Guidelines for the Project Agreement, as the case may be.

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

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

   (a) prior registration, obtaining a licenses or an agreement shall not be a requirement for any bidder to participate in bidding procedures;

   (b) no bids shall be rejected, and no provisional awards shall be made at the time of bid opening;

   (c) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices; and

   (d) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid.

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

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

(a) National Competitive Bidding subject to the following provisions:

(i) standard bidding documents for National Competitive Bidding procedures, acceptable to the Bank, should be used;
(ii) foreign bidders shall not be required to be registered with local authorities as a prerequisite for bidding;
(iii) no bids of proposals shall be rejected, and no provisional awards shall be made at the time of bid opening;
(iv) the invitation to bid shall not establish, for purposes of acceptance of bids, minimum or maximum amounts for the contract prices;
(v) the invitation to bid shall not require mandatory attendance to a pre-bid meeting as a condition to bid; and
(vi) potential bidders shall be allowed adequate time to prepare bids which should not be less than 30 days, except for commodities and small goods contracts.

(b) Shopping subject to the following provisions:

(i) foreign bidders shall not be required to be registered with local authorities as a prerequisite for submitting quotations; and
(ii) a minimum of three quotations shall be obtained as a condition to award the contract.

(c) Direct Contracting subject to the Bank’s prior consent.

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.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<table>
<thead>
<tr>
<th>Procurement Method</th>
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<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
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<tr>
<td>(b) Selection under a Fixed Budget</td>
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<tr>
<td>(c) Least Cost Selection</td>
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<tr>
<td>(d) Selection based on Consultant’s Qualifications</td>
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<tr>
<td>(e) Single Source Selection, subject to the Bank’s prior written consent</td>
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<tr>
<td>(f) Procedures for the selection of Individual Consultants</td>
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3. **Special provisions.** All methods of procurement of consultants’ services shall be carried out subject to the following special provisions:

(a) foreign firms shall not be required to be registered with local authorities as a prerequisite for submitting proposals;

(b) foreign consultants shall not be required to furnish any certificate issued by a local authority about their legal capacity or tax status for the purposes of submitting a proposal; and

(c) foreign consultants shall not be required to submit their proposals in person.

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

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


5. “Procurement Plan” means for purposes of this Project Agreement, the procurement plan adopted by DGCP for the carrying out of Parts C.1, C.2, C.3 and D.3 of the Project, dated April 12, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.