FINANCING AGREEMENT

(Additional Financing for Skills and Training Enhancement Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 21, 2016
FINANCING AGREEMENT

AGREEMENT dated January 21, 2016 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 in the Appendix to this Agreement).

WHEREAS (A) under an agreement dated July 8, 2010, between the Association and the Recipient, as amended ("Original Financing Agreement"), the Association agreed to provide to the Recipient a credit in an amount equivalent to fifty-two million two hundred eighty two thousand seven hundred sixty seven Special Drawing Rights (SDR 52,282,767) ("Original Financing") to assist in financing the Skills and Training Enhancement Project described in Schedule 1 to the Original Financing Agreement;

(B) under an agreement dated December 5, 2013, between the International Bank for Reconstruction and Development/International Development Association ("World Bank") and the Government of Canada as represented by the Minister for International Cooperation acting through the Canadian International Development Agency ("Donor"), the Donor has agreed to contribute funds for co-financing the Original Project, and the World Bank has agreed to administer, on behalf of the Donor, its contribution, through a trust fund grant in the amount equal to fourteen million seven hundred ninety seven thousand eight hundred thirty one United States Dollars ($14,797,831) the "Grant Agreement") to be used to finance in part the costs of carrying out the Original Project under the terms and conditions of its agreement;

(C) the Recipient has requested the Association to provide additional financial assistance to scale up the activities described in the Original Financing Agreement by increasing the amount available under the said agreement; and

(D) the Association has agreed to extend such additional financing assistance to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, 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 seventy one million three hundred thousand Special Drawing Rights (SDR 71,300,000) (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 April 15 and October 15 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 objectives of the Project. To this end, the Recipient shall carry out the Project through DTE with the assistance of:

(a) Selected Training Institutions in respect of Part A of the Project; and

(b) BMET and BTEB in respect of Part C of the Project,

in each case 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 — REMEDIES OF THE ASSOCIATION

4.01. The Additional Events of Suspension consist of the following:

(a) Any of Selected Training Institutions shall have failed to comply with the provisions of their respective Performance Contracts.

(b) The Selected Bank shall have failed to comply with the provisions of the Participation Agreement.

(c) BTEB shall have failed to comply with the provisions of the BTEB Cooperation Agreement.

4.02. The Additional Events of Acceleration consists of the following:

That any of the events specified in Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. 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 VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Senior Secretary or Secretary or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant
Secretary, or Assistant Chief of the Economic Relations Division of the Ministry of Finance.

6.02. The Recipient’s Address is:

Economic Relations Division
Ministry of Finance
Government of the People’s Republic of Bangladesh
Sher-E-Bangla Nagar
Dhaka 1207, Bangladesh
Facsimile:

88029180671

6.03. The Association’s Address is:

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

Telex: Facsimile:

248423 (MCI) 1-202-477-6391
AGREED at Dhaka, Peoples Republic of Bangladesh, as of the day and year first above written.

PEOPLE’S REPUBLIC OF BANGLADESH

By

[Signature]

Authorized Representative

Name: KALI SHOFIQU ALAM
Title: ADV. SECRETARY

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: MARTIN C. RAMA
Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to strengthen Training Institutions to improve training quality and employability of trainees, including those from disadvantaged socio-economic backgrounds.

The Project consists of the Original Project and the following additional activities:

A new Part B.3 is added to read as follows:

3. **Recognition of Prior Learning**

   (a) certification of workers for skills gained through informal on-the-job training and work experiences;

   (b) upgrading assessment levels; and

   (c) training assessors.

A new Part C.6 is added to read as follows:

6. Providing support to technical, vocational education and training agencies and selected Training Institutions on the use of e-government procurement.

A new Part D.3 is added to read as follows:

4. Undertaking monitoring and impact evaluation of the RPL Program.
Section I. **Implementation Arrangements**

A. **Institutional Arrangements.** The provisions of Sections I.A and C of Schedule 2 to the Original Financing Agreement are incorporated herein and apply to this Agreement, *mutatis mutandis*, and the Recipient hereby undertake to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

B. **Anti-Corruption**

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

C. **Environmental and Social Safeguards**

1. The Recipient shall carry out the Project in accordance with the Environmental and Social Management Framework and the Small Ethnic Communities Framework and the relevant Safeguard Plans.

2. Whenever an additional or revised Safeguard Plan shall be required for any proposed Project activity in accordance with the provisions of the ESMF and/or the SECF, as the case may be, the Recipient shall:

   (a) prior to the commencement of such activity, proceed to have such Safeguard Plan: (i) prepared in accordance with the provisions of the ESMF and/or the SECF, as the case may be; (ii) furnished to the Association for review and approval; and (iii) thereafter adopted, disclosed, and implemented as approved by the Association, in a manner acceptable to the Association; and

   (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Safeguard Plan.

3. The Recipient shall not amend, abrogate or waive, or permit to be amended, abrogated or waived, the ESMF, the SECF or any Safeguard Plans, unless the Association has provided its prior approval thereof in writing, and the Recipient has complied with the same consultation and disclosure requirements as applicable to the original adoption of the said instruments.

4. Without limitation on its other reporting obligations under this Agreement, the Recipient shall collect, compile and submit to the Association on a bi-annual basis
(or such other frequency as may be agreed with the Association) consolidated reports on the status of compliance with the ESMF, the SECF and the Safeguard Plans, giving details of: (a) measures taken in furtherance of the said instruments; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the said measures; and (c) remedial measures taken or required to be taken to address such conditions.

5. In the event of any conflict between the provisions of any of the ESMF, the SECF, or the Safeguard Plans, and the provisions of this Agreement, the provisions of this Agreement shall prevail.

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 (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) after the end of the period covered by such report.

2. The Recipient shall:

(a) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about June 30, 2017, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph 1 above, 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

(b) review with the Association, by September 30, 2017, or such later date as the Association shall request, the report referred to in sub-paragraph (a) above, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objective thereof, based on the conclusions and recommendations of the said report and the Association’s view on the matter.
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 not later than forty-five (45) 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, Works and Non-consulting Services. All goods, works and non-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 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 Financing 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, Works and Non-Consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-Consulting Services**

(a) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan:

(i) National Competitive Bidding, following the procedures of the Procurement Laws subject to paragraph (b) below;

(ii) Shopping, following the request for quotation method of the Procurement Laws;

(iii) Procurement under Framework Agreements in accordance with procedures which have been found acceptable to the Association; and

(iv) Direct Contracting.

(b) The following provisions apply for the contracting of goods, works and non-consulting services under National Competitive Bidding, using bidding documents acceptable to the Association:

(i) post bidding negotiations shall not be allowed with the lowest evaluated or any other bidder;

(ii) bids should be submitted and opened in public in one location immediately after the deadline for submission;

(iii) lottery in award of contracts shall not be allowed;

(iv) bidders’ qualification/experience requirement shall be mandatory;

(v) bids shall not be invited on the basis of percentage above or below the estimated cost and contract award shall be based on the lowest evaluated bid price of compliant bid from eligible and qualified bidder; and

(vi) single stage two (2) envelope procurement system shall not be allowed.

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

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Least-Cost Selection</td>
</tr>
<tr>
<td>(d) Consultants Qualifications</td>
</tr>
<tr>
<td>(e) Single Source Selection</td>
</tr>
<tr>
<td>(f) Individual Consultants</td>
</tr>
</tbody>
</table>

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

The Procurement Plan shall set forth those contracts which shall be subject to the Association’s Prior Review. All other contracts shall be subject to Post Review by the Association.

**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 “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 Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
### Percentage of Expenditures to be Financed (inclusive of Taxes)

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Grants and Stipends</td>
<td>58,300,000</td>
<td>100% of amounts disbursed as per the Performance Contract for grants to public institutions; 90% for amounts disbursed as per the Performance Contracts for grants to private institutions; 100% for stipends</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants’ services, Training, and Operating Costs under Parts B, C and D of the Project</td>
<td>13,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>71,300,000</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.

2. The Closing Date is June 30, 2019.
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 April 15 and October 15, commencing April 15, 2022 to and including October 15, 2053</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:

1. “Activity” means any of the pilot activities eligible for implementation under Part B.2 of the Project in accordance with the PIM and satisfactory to the Association.


4. “BTEB” means the Recipient’s Bangladesh Technical Education Board established and operating pursuant to Technical Education Act 1967.

5. “BTEB Cooperation Agreement” means the agreement between the Recipient and BTEB for the implementation of Part C of the Project and referred to in paragraph 4.01 (c) of Article IV to this Agreement.

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


8. “DTE” means MOE’s Directorate of Technical Education.

9. “EMP” means each Environmental Management Plan, acceptable to the Association and consistent with the ESMF, giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the ESMF, along with the procedural and institutional measures needed to implement such actions, measures and policies.

10. “Environmental and Social Management Framework” or “ESMF” means the Environmental and Social Management Framework dated March 2, 2010, updated on August 25, 2015, satisfactory to the Association, giving details of a program of actions, measures and policies designed to maximize the benefits of the Project, eliminate, offset or mitigate any adverse environmental impacts, or reduce such impacts to acceptable levels, as such ESMF may be amended from time to time with the prior agreement of the Association.

12. "Grant" means any of the Part A.2 Grant referred to in the Original Financing Agreement, and in the table under Section IV.A.2 of Schedule 2 to this Agreement.

13. "Grant Agreement" means the co-financing agreement for the Skills and Training Enhancement Project between the Recipient and the World Bank, dated December 5, 2013 (Grant Number TF015113).

14. "Institutional Development Plan" means any plan eligible for implementation under Part A.1 of the Project in accordance with the PIM.

15. "MOE" means the Recipient's Ministry of Education, and includes any successor thereto.

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

17. "Original Financing Agreement" means the financing agreement for Skills and Training Enhancement Project between the Recipient and the Association, dated July 8, 2010 as amended to the date of this Agreement.

18. "Original Project" means the Project described in Schedule 1 to the Original Financing Agreement.

19. "Participation Agreement" means the agreement between the Recipient and the Selected Bank for managing Stipends, and referred to in paragraph 4.01(b) of Article IV of this Agreement.

20. "Performance Contract" means any contract between the Recipient and a Selected Training Institution meeting the requirements for a model performance contract set out in the PIM, and referred to in paragraph 4.01(a) of Article IV to this Agreement.

22. "Procurement Laws" means collectively the Recipient’s Public Procurement Act 2006, the Recipient’s Public Procurement Rules, 2008 (as amended in August 2009), and the Recipient’s Public Procurement Act (1st Amendment 2009).

23. "Procurement Plan" means the Recipient’s procurement plan for the Project, referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

24. "Project Implementation Manual" or “PIM” means the Recipient’s Project Implementation Manual referred to in paragraph 3 of Section I.A of Schedule 2 to the Original Financing Agreement and cleared by the Association on June 30, 2010 as such may be amended from time to time with the prior agreement of the Association.

25. “RPL” means the Recipient’s Recognition of Prior Learning program supported under Part A.3 of the Project.

26. “Safeguard Plan” means any EMP and the SECP prepared or to be prepared by the Recipient in accordance with the ESMF and the SECF and the provisions of Section I.C of Schedule 2 to this Agreement; and “Safeguard Plans” means, collectively, all such plans.

27. “Selected Bank” means a commercial bank acceptable to the Association for purposes of paying the Grants and Stipends to be financed out of the proceeds of the Credit.

28. “Selected Training Institutions” means any Training Institutions which meets the eligibility and selection criteria for Grants described in the PIM including the requirement to establish a management committee for purposes of the Project.

29. “Small Ethnic Communities Plan” or “SECP” means each plan prepared following the requirements of the Small Ethnic Communities Framework.

30. “Small Ethnic Communities Framework” or “SECF” means the framework included in the ESMF to address the concerns of small ethnic minority groups in a culturally appropriate manner.

31. “Stipend” means the stipend referred to in Part A.1(b) or in Part A.2(b) of the Original Financing Agreement, and in the table under Section IV.A. 2 of Schedule 2 to this the Agreement.

32. “Training” means the reasonable costs required for the participation of personnel involved in training activities, workshops and study tours under the Project which have been approved by the Association in writing on annual basis, including: (a)
travel, hotel, honoraria and subsistence costs for training, workshop and study tour participants provided that such allowances are paid directly to the eligible recipient using the banking system (except for petty cash expenses following Recipient's existing policy); and (b) costs associated with rental of training and workshop facilities, preparation and reproduction of training and workshop materials, costs of academic degree studies, and other costs directly related to training course, workshop or study tour preparation and implementation, but excluding salaries of consultants and sitting allowances.

33. “Training Institutions” means any training institution, including, but not limited to, public and private polytechnics, and technical and vocational education and training institutions in the Recipient’s country.