Financing Agreement

(Second Additional Financing for Public Procurement Reform Project II)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated July 25, 2016
FINANCING AGREEMENT

AGREEMENT dated July 25, 2016, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing additional financing for the Original Project (as defined in the Appendix to this Agreement). 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 seven million one hundred thousand Special Drawing Rights (SDR 7,100,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 June 1 and December 1 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 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 Senior Secretary/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.

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

Facsimile: 88029180671

6.03. The Association’s Address is:
AGREED at Dhaka, People’s Republic of Bangladesh, as of the day and year first above written.

PEOPLE’S REPUBLIC OF BANGLADESH

By

Authorized Representative

Name: Kazi Shofiqul Azam
Title: Additional Secretary

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Rajashree S. Paralkar
Title: Acting Country Director
SCHEDULE 1

Project Description

The objective of the Project is to improve performance of the public procurement system progressively in Bangladesh, largely focusing on the Target Agencies.

The Project consists of the following parts:

Part 1: Furthering Policy Reform and Institutionalizing Capacity Development

1.1 Provision of technical advisory services for the amendment of a series of secondary legislation, regulatory instruments and ancillary documents to harmonize them with the Recipient’s Procurement Laws.

1.2 Provision of a series of long and short term training and academic programs in public procurement for procurement practitioners and other stakeholders, including the provision of technical advisory services to strengthen the capacity of selected procurement training institutions to organize and deliver procurement training and academic programs on a sustainable basis.

Part 2: Strengthening Procurement Management at Sector Level

2.1 Strengthening the procurement management capacity of public sector agencies through: (a) the provision of technical advisory services to identify specific sets of arrangements for each Target Agency to address the deficiencies identified in bidding practices, contract management, and procurement planning and budgeting; (b) the provision of technical support and equipment to the Target Agencies for developing a strategy and plans for the implementation of new procurement rules and practices; and (c) the provision of physical, infrastructural and logistical support to the Target Agencies to collect data for tracking and monitoring of procurement, including the establishment and integration of the CPTU’s monitoring system PROMIS into a fully functional system.

2.2 Provision of technical, physical, infrastructural and logistical support to the Target Agencies to implement the monitoring system PROMIS.

2.3 Provision of technical advisory services and other operational and logistical support to strengthen the CPTU’s organizational structure and the units within IMED linked to CPTU, and to carry out the day-to-day administration of the Project including the verification of DLIs and e-GP systems audit.

2.4 Provision of technical advisory services to develop a nation-wide database of contractors, local construction and contracting industries.
Part 3: Introducing E-Government Procurement (e-GP)

3.1 Design and implementation of e-GP in the areas of publication of notices and contract awards, e-bidding, e-purchasing, and e-contract management, including the development of a single web-based system, development of an e-GP data center and formation of an e-GP technical support unit including its strengthening with information technology professionals.

3.2 Capacity development support and training for the Target Agencies’ staff to implement the e-GP system.

3.3 Provision of technical services for the management, operation and maintenance of the national e-GP system

3.4 Provision of technical support and equipment for the development of a procurement information back-up mirror site and disaster recovery center.

3.5 Provision of technical support for the development of a public procurement authority and e-GP corporatization strategic framework.

Part 4: Communication, Behavioral Change and Social Accountability

4.1 Provision of technical advisory services and equipment to facilitate the implementation of the rules and regulations governing public procurement, including *inter alia*: (a) design and implementation of a communication strategy; (b) design and implementation of an education program; (c) carrying out of behavioral change activities; and (d) carrying out of advocacy campaigns.

4.2 Establishment of an entry point for engagement of beneficiary groups, community support groups, civil society groups, non-profit organizations, business chambers, or media apex bodies, in monitoring the implementation of the procurement laws and associated procurement outcomes through, *inter alia*, the provision of technical advisory services and equipment to: (a) improve public access to procurement related information; (b) carry out technical training of media professionals and other interested parties; (c) establish a government-contractors forum; and (d) enhance formal arrangements amongst stakeholders.

4.3 Implementation of an e-GP awareness campaign for bidders, journalists, policy makers and other stakeholders and local level beneficiaries.
SCHEDULE 2
Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The provisions of Part A of Section I of Schedule 2 to the Original Financing Agreement are incorporated herein by reference and apply to the Project, *mutatis mutandis*.

B. Anti-Corruption

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

2. Without limitation on the provisions of paragraph 1 above, the Recipient shall:
   (a) carry out the Governance and Accountability Action Plan in accordance with its terms; and
   (b) submit reports on the status of the implementation of said plan as part of the Project Report (or such other frequency as may be agreed with the Association).

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, 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 shall prepare and furnish to the Association as part of the Project Report not later than forty-five (45) days 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the 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. 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: (a) National Competitive Bidding, following the procedures of the Procurement Laws subject to the additional provisions set forth in paragraph 3 below; (b) Shopping, following the request for quotation method of the Procurement Laws; and (c) Direct Contracting.

3. National Competitive Bidding Procedures. 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:
(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 (1) location immediately after the deadline for submission;  
(c) lottery in award of contracts shall not be allowed;  
(d) bidders' qualification/experience requirement shall be mandatory;  
(e) 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  
(f) 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 methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection under a Fixed Budget; (c) Least Cost Selection; (d) Selection based on Consultants’ Qualifications; (e) Single-source Selection of consulting firms; (f) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (g) Single-source procedures for the Selection of Individual Consultants.

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 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, works, non-consulting services, consultants’ services and Training for Parts 1 and 3 of the Project</td>
<td>7,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,100,000</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, 2017.
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 June 1 and December 1:</td>
<td></td>
</tr>
<tr>
<td>commencing December 1, 2022 to and including June 1, 2054</td>
<td>1.56250%</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. “BREB” means the Bangladesh Rural Electrification Board established by the Recipient’s Rural Electrification Board Ordinance, 1977, or any successor thereto.

3. “BWDB” means the Bangladesh Water Development Board, established under the Recipient’s Act No. 26 of 2000, or any successor thereto.

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


6. “CPTU” means the Central Procurement Technical Unit within IMED (as hereinafter defined) and referred to in the Recipient’s Public Procurement Act 2006.

7. “DLIs” means Disbursement Linked Indicators.


10. “Governance and Accountability Action Plan” means the plan agreed between the Association and the Recipient, dated Mach 25, 2013, setting forth actions and measures to be taken by the Recipient to ensure integrity, transparency and accountability in the implementation of the Project and the use of the proceeds of the Financing; as such plan may be amended from time to time with prior written consent of the Association.


12. “IMED” means the Implementation Monitoring and Evaluation Division, within the Recipient’s Ministry of Planning, or any successor thereto.
13. "Original Financing Agreement" means the Amended and Restating Original Financing Agreement for the Project between the Recipient and the Association, dated June 10, 2013, as amended to the date of this Agreement (Credit Numbers 4350-BD and 5242-BD).

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


16. "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.

17. "Procurement Plan" means the Recipient’s procurement plan for the Project, dated April 24, 2016, and 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.

18. "PROMIS" means Procurement Management Information System of CPTU.

19. "RHD" means the Recipient’s Roads and Highways Department of the Recipient’s Ministry of Road Transport and Bridges, or any successor thereto.

20. "Target Agency" means, as the case may be, BREB, BWDB, LGED or RHD; and "Target Agencies" means, collectively, each Target Agency.

21. "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, 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; 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 civil servants and sitting allowances and honorarium of any other nature.