DFID Financing of the Bangladesh Private Sector Development Support Project Trust Fund
Grant Agreement

(Private Sector Development Support Project)

between

PEOPLE’S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as administrator of the DFID Financing of the Bangladesh Private Sector Development Support Project Trust Fund

Dated July 8, 2011

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated July 31, 2010 (“Standard Conditions”), 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 Standard Conditions, in this Agreement or in the Appendix to this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to the Financing Agreement (“Project”). To this end, the Recipient shall carry out the Project in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of the Schedule to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to seventeen
million four hundred nine thousand nine hundred thirty United States Dollars ($17,409,930) ("Grant"), to be provided by the Government of the United Kingdom of Great Britain and Northern Ireland through its Department for International Development ("DFID" or "Donor"), under the DFID Financing of the Bangladesh Private Sector Development Support Project Trust Fund ("Trust Fund"), to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of the Schedule to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds. At the end of each fiscal year, the World Bank shall notify the Recipient of the amount of the funds received by the World Bank from the Donor.

Article IV
Recipient’s Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the 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.

4.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Facsimile:

88028111660

4.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INDEVAS Washington, D.C. 64145 (MCI)
Telex: 248423 (MCI) or 1-202-477-6391
Facsimile: 1-202-477-6391

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

PEOPLE’S REPUBLIC OF BANGLADESH

By: /s/ Arastoo Khan

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of the DFID Financing of the Bangladesh Private Sector Development Support Project

By:/s/ Ellen Goldstein

Authorized Representative
SCHEDULE

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

The institutional arrangements described in Section I.A of Schedule 2 to the Financing Agreement are hereby incorporated in this Section I.A and shall apply to the Project.

B. Anti-Corruption

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

C. Safeguards

1. The Recipient shall carry out the Project in accordance with the Environmental and Social Management Framework and the Resettlement Policy Framework.

2. The Recipient shall ensure that each Environmental and Social Management Plan and Resettlement Action Plan shall be prepared in accordance with the Environmental and Social Management Framework and the Resettlement Policy Framework, respectively, and shall be carried out in accordance with its respective terms.

3. The Recipient shall: (a) not amend the Environmental and Social Management Framework, the Resettlement Policy Framework or any Environmental and Social Management Plan or Resettlement Action Plan without the prior written approval of the Association; and (b) report to the Association any issue pertaining to the carrying out of the Project in accordance with the requirements of any of the above-mentioned safeguard instruments.

D. Donor Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.
Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) increase in direct private investment in the creation of new economic zones;

(ii) increase in private firm level investment in new economic zones;

(iii) increase in number of firms in economic zones;

(iv) increase in non-readymade garments investment in new economic zones;

(v) increase in direct employment in new economic zones, including increase in the percentage of women; and

(vi) increase in indirect employment through firms supplying to the new economic zones, including increase in the percentage of women.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits
1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. **Procurement and Consultant Guidelines.** All goods, works non-consulting-services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

   (a) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”) in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank 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.


(a) The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods, works and non-consulting 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) National Competitive Bidding, following the procedures of the Procurement Laws, subject to paragraph (b) below.</td>
</tr>
<tr>
<td>(b) Shopping, following the request for quotation method of the Procurement Laws</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

(b) The following provisions shall apply for the contracting of goods, works and non-consultant 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) rebidding shall not be carried out, except with the Association’s prior agreement;

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

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

(vii) 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 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-Based Selection</td>
</tr>
<tr>
<td>(e) Single-Source Selection</td>
</tr>
<tr>
<td>(f) Individual Consultants</td>
</tr>
</tbody>
</table>

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.
Section IV. Withdrawal of Grant Proceeds

A. General

The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 of Section IV.A of Schedule 2 to the Financing Agreement.

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 referred to in Section 3.06(c) of the Standard Conditions is December 31, 2014.
APPENDIX

Section I. Definitions


4. “BEPZA” means the Bangladesh Export Processing Zones Authority, an authority established pursuant to the Bangladesh Export Processing Zones Authority Act, 1980, as modified up to 13 December, 1994.


6. “Credit” means the credit in an amount equivalent to SDR 78,000,000 provided to the Recipient by the International Development Association to assist in financing the Private Sector Development Support Project.

7. “ERD” means the Economic Relations Division within the Recipient’s Ministry of Finance.

8. “Environmental and Social Management Framework” means the framework dated March 31, 2010 satisfactory to the Association, establishing policies and procedures to systematically identify, predict and evaluate beneficial and adverse environmental and social impacts associated with site specific development activities, and setting out enhancement measures for beneficial impacts and mitigation measures for adverse impacts, as such framework may be amended from time to time with the prior agreement of the Association.

9. “Environmental and Social Management Plan” means a plan, acceptable to the Association and prepared on the basis of the Environmental and Social Management Framework detailing the specific actions, measures and policies designed to address adverse environmental and social impacts and facilitate the
achievement of the objectives of the Environmental and Social Management Framework, as such plan may be amended from time to time with the prior agreement of the Association.

10. “Financing Agreement” means the financing agreement, dated May 22, 2011, between the Recipient and the International Development Association, pursuant to which the latter shall make available to the Recipient the proceeds of the Credit.


13. “Procurement Laws” means 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 collectively.

14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated December 14, 2010 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.


16. “Resettlement Action Plan” means the resettlement action plan related to the Kaliakoir hi-tech park dated April 17, 2010 and any other resettlement action plan, acceptable to the Association, and prepared on the basis of the Resettlement Policy Framework detailing the specific actions, measures and policies designed to address any loss of income, livelihoods and property associated with Project activities, as such plan may be amended from time to time with the prior agreement of the Association.