

PD-ABB-892

A.I.D. PROJECT NO. 388-0078
FINANCIAL SECTOR REFORM PROGRAM TECHNICAL ASSISTANCE

PROJECT
GRANT AGREEMENT
BETWEEN
THE PEOPLE'S REPUBLIC OF BANGLADESH
and the
UNITED STATES OF AMERICA
for the
FINANCIAL SECTOR REFORM PROGRAM TECHNICAL ASSISTANCE PROJECT

DATED: JUNE 6, 1990

USAID/DHAKA,
BANGLADESH

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PROJECT GRANT AGREEMENT

Dated: June 6, 1990

Between

The People's Republic of Bangladesh ("Grantee",
"Bangladesh Government" or "BDG")

And

The United States of America, acting through the
Agency for International Development ("A.I.D.").

Article 1: The Agreement

The purpose of this Agreement is to set out the understandings of the parties named above ("Parties") with respect to the undertaking by the Grantee of the Project described below, and with respect to the financing of the Project by the Parties.

Article 2: The Project

SECTION 2.1. Definition of Project. The Project, which is further described in Annex 1, will assist in restructuring the commercial banking system in Bangladesh to increase the productivity of capital resources in economic development. This will be accomplished by providing technical assistance, training and commodities to strengthen the Bangladesh Bank and the Nationalized Commercial Banks (NCBs) and to support the Government of Bangladesh program for privatization of the NCBs. The assistance will promote, among other things, use of flexible indirect instruments for implementing monetary policy, improved bank supervision, profitability of commercial banks and an increased share in banking sector activities for private banks. The project provides parallel financing for the Financial Sector Reform Program undertaken by the Bangladesh Government which includes a major credit from the World Bank/International Development Association (IDA) and additional technical assistance from the International Monetary Fund.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 8.2, without formal amendment of this Agreement.

SECTION 2.2. Incremental Nature of Project.

(a) A.I.D.'s contribution to the Project will be provided in increments, the initial one being made available in accordance with Section 3.1 of this Agreement. Subsequent increments will be subject to the availability of funds to A.I.D. for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

(b) Within the overall Project Assistance Completion Date stated in this Agreement, A.I.D., based upon consultation with the Grantee, may specify in Project Implementation Letters appropriate time periods for the utilization of funds granted by A.I.D. under an individual increment of assistance.

Article 3: Financing

SECTION 3.1. The Grant. To assist the Grantee to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Grantee under the terms of this Agreement an amount not to exceed Six Million United States Dollars (U.S. \$6,000,000) ("Grant"). The Grant may be used to finance foreign exchange costs, as defined in Section 6.1, and local currency costs, as defined in Section 6.2, of goods and services required for the Project.

SECTION 3.2. Grantee Resources for the Project.

(a) The Grantee agrees to provide or cause to be provided for the Project all funds, in addition to the Grant, and all other resources required to carry out the Project effectively and in a timely manner, as agreed upon by the Parties.

(b) Resources provided by the Grantee for the Project will be not less than Fifty-Eight Million Two Hundred Thousand Bangladesh Takas (Tk. 58,200,000) or the equivalent of approximately One Million Seven Hundred Twelve Thousand United States Dollars (\$1,712,000), including costs borne on an "in-kind" basis. In addition, the Grantee is expected to provide Eighteen Billion Seven Hundred Million Bangladesh Takas (Tk.18,700,000,000) or the equivalent of approximately Five Hundred Fifty Million United States Dollars (\$550,000,000) to recapitalize the NCBs (the sum includes the values of bonds not disbursed as cash and the amount necessary to implement the NCB technical assistance program noted above), assist with Bangladesh Jute Mills Corporation (BJMC) and Bangladesh Jute Corporation (BJC) debt service requirements, and reimburse the cost of interest rate subsidies. The recapitalization estimate will be revised as the detailed actions are firmed up and the loan provisioning exercise nears completion. The sum of these contributions is well over twenty-five percent of total costs of the Financial Sector Reform Program.

SECTION 3.3. Project Assistance Completion Date.

(a) The Project Assistance Completion Date ("PACD") for bilateral project activities financed under this Grant is August 31, 1995, or such other date as the Parties may agree to in writing. It is the date by which the Parties estimate that all services financed under the Grant will have been performed and all goods financed under the Grant will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Grant for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 7.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Grantee, may at any time or times, reduce the amount of the Grant by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

Article 4: Condition Precedent to Disbursement

SECTION 4.1. Initial Disbursement. Prior to any disbursement under the Grant, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee shall, except as A.I.D. may otherwise agree in writing, furnish to A.I.D. in satisfactory form and substance:

(a) a statement of the name of the person holding or acting in the office of the Grantee specified in Section 8.2, and of any additional representatives, together with a specimen signature of each person specified in such statement.

(b) evidence that the Grantee and IDA have executed a loan agreement for IDA's Financial Sector Credit and that such agreement has become effective; and

(c) evidence that the Grantee, through the agency of the Bangladesh Bank, has established a Review Committee to oversee progress on all aspects of the Financial Sector Reform Program. Except as the Parties may otherwise agree in writing, the Review Committee shall be chaired by the Deputy Governor of the Bangladesh Bank and its membership shall include the Managing Directors of the four Nationalized Commercial Banks, the Director of the Bangladesh Institute of Bank Management (BIBM), representatives from the Ministry of Finance, A.I.D., IDA, the International Monetary Fund and the technical

assistance team leader. Official documents establishing the committee shall specify committee functions and authorities to include review of technical assistance activities and progress toward meeting IDA loan conditions.

SECTION 4.2. Notification. When A.I.D. has determined that the condition precedent specified in Section 4.1 has been met, it will promptly notify the Grantee.

SECTION 4.3. Terminal Dates for Conditions Precedent. If the condition specified in Section 4.1 has not been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Grant, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to Grantee.

Article 5: Special Covenants

SECTION 5.1. Project Evaluation.

The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter. Evaluations are expected to involve the following elements:

(a) evaluation of progress toward attainment of the objectives of the Project;

(b) identification and evaluation of problem areas of constraints which may inhibit such attainment;

(c) assessment of how such information may be used to help overcome such problems; and

(d) evaluation, to the degree feasible, of the overall development impact of the Project.

SECTION 5.2. Project Covenants

Except as the Parties may otherwise agree in writing:

(a) The Grantee shall maintain and continue to implement financial policy reforms that are instituted, prior to and during the course of this Project, pursuant to the IDA FSC loan agreement.

(b) The Grantee shall ensure that office space is provided by the Bangladesh Bank, the NCBs, BIBM, and the Ministry of Finance, as appropriate, for both long-term and short-term technical consultants employed by the project's technical assistance prime contractor and subcontractors.

(c) The Grantee, with the assistance of the project prime contractor, shall provide to A.I.D. on a quarterly basis quantitative and qualitative information relating to its progress in achieving key project benchmarks, in a format to be mutually agreed upon by project implementation letter.

(d) The Grantee shall provide to A.I.D. on a semi-annual basis financial reports on the Grantee's cash and in-kind contributions to the FSRP and to the technical assistance effort financed under this Project, in a format to be mutually agreed upon by the Parties in a project implementation letter.

(e) The Grantee shall ensure that training services and facilities of BIBM as well as information systems, manuals and other technical assistance outputs developed under this Project shall be available for the use of private and public sector bankers on an equal basis.

(f) Maintain capital adequacy ratios according to Bangladesh Bank regulations and the Banking Companies Ordinance.

(g) Beginning in June 1992, the NCBs shall establish and implement collection targets and policies and procedures for collecting or writing off any NCB loans not yet collected or written off pursuant to the IDA FSC loan agreement.

(h) The Government shall conduct a study to be completed by June 1993 that analyzes experience gained in NCB privatization. The study will be used to assist in implementing future privatization and other steps to reduce Government ownership in the banking system. The study and the Government's Action Plan for privatization shall be made available to USAID.

SECTION 5.3. Privileges and Immunities of Expatriate Consultants and Staff.

The BDG, including the National Board of Revenue, agrees that the terms of the 1974 Agreement on Economic, Technical and Related Assistance between the Bangladesh and U.S. Governments apply to this Project, and that all expatriate experts, consultants, contractors, and staff employed through or in connection with the Project shall be afforded the privileges, exemptions and immunities of privileged persons of the most privileged category under BDG regulations (currently S.R.O. 88-L/85/906/Cus. and 89-L/85/907/Cus., dated 13 February 1985, as periodically revised, or successor regulations). This provision applies to expatriate staff financed under all project components described in Annex 1, including those hired by governmental and non-governmental implementing organizations referenced therein, or by subgrantees or successor organizations or other nongovernmental organizations approved by the Bangladesh Bank.

SECTION 5.4. Return of Trainees. The Grantee shall make its best efforts to secure the return of Bangladesh Government trainees to Bangladesh after completion of their training abroad, shall assign the trainees to Bangladesh Government or other positions relevant to the training received and shall utilize the trainees in such positions according to Bangladesh law and regulations. Further, for any trainees trained in the U.S. under this project, the Grantee shall not issue any non-objection letters concerning waiver of the two year home country residency requirement applicable to immigrant, permanent residence, or H or L visas under Section 212(e) of the U.S. Immigration and Nationality Act, without the prior written consent of A.I.D. Participant training elements of this Project will be accomplished in accordance with the policies, allowances, guidance, and reporting requirements of A.I.D. Handbook 10 - Participant Training.

SECTION 5.5. Exemptions for Project Goods.

(a) All commodities, supplies, materials, equipment, vehicles and other goods financed by A.I.D. and imported into Bangladesh after endorsement by the Bangladesh Bank for use in this Project, including items imported for activities of the technical contractor or by their subgrantees or successor organizations or other nongovernmental organizations approved by the Bangladesh Bank, shall be exempt from all taxes, customs duties, fees or tariffs (CDST) imposed under the laws of the People's Republic of Bangladesh. To the extent commodities imported for use in the Project and by expatriate personnel under this project are not exempt from CDST, such costs shall be budgeted for and expeditiously paid by the Bangladesh Bank.

(b) The Grantee agrees that, as stated in Section 11 of the 1989-91 Import Policy Order (or successor regulations), right of refusal (ROR) and non-objection certificate (NOC) procedures shall not be applicable to commodities and equipment financed and imported under this Grant for the Project.

Article 6: Procurement Source

SECTION 6.1. Foreign Exchange Costs. Disbursements pursuant to Section 7.1 will be used exclusively to finance the costs of goods and services required for the Project having, with respect to goods, their source and origin, and with respect to services their nationality, in the United States or in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Grant Standard Provisions Annex, Section C.1(b) with respect to marine insurance. Ocean transportation costs will be financed under the Grant only on vessels under flag registry of the United States or Bangladesh, except as A.I.D. may otherwise agree in writing.

SECTION 6.2. Local Currency Costs. Disbursements pursuant to Section 7.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Bangladesh ("Local Currency Costs"). To the extent provided for under this Agreement, "Local Currency Costs" may also include the provision of local currency resources required for the Project.

Article 7: Disbursements

SECTION 7.1. Disbursement for Foreign Exchange Costs.

(a) After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for the Foreign Exchange Costs of goods or services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

(1) by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or, (B) requests for A.I.D. to procure commodities or services in the Grantee's behalf for the Project; or

(2) by requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letters of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods and services.

(b) Banking charges incurred by the Grantee in connection with Letters of Commitment and Letters of Credit will be financed under the Grant unless Grantee instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Grant.

SECTION 7.2. Disbursement for Local Currency Costs.

(a) After satisfaction of Conditions Precedent, the Grantee may obtain disbursements of funds under the Grant for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursements may be obtained by acquisition by A.I.D. with U.S. dollars by purchase, or from local currency already owned by the U.S. Government. The U.S. dollar equivalent of the local currency made available hereunder will be the amount of U.S. dollars required by A.I.D. to obtain the local currency.

SECTION 7.3. Other Forms of Disbursement. Disbursements of the Grant may also be made through such other means as the Parties may agree to in writing.

SECTION 7.4. Rate of Exchange. Except as may be more specifically provided under Section 7.2, if funds provided under the Grant are introduced into Bangladesh by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Grantee will make such arrangements as may be necessary so that funds may be converted into currency of Bangladesh at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Bangladesh.

Article 8: Miscellaneous

SECTION 8.1. Communications. Any notice, request, document or other communication submitted by either Party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such Party at the following addresses:

To the Grantee:

Mail Address	- Secretary External Resources Division Ministry of Finance Sher-e-Bangla Nagar Dhaka, Bangladesh
	- Deputy Governor Bangladesh Bank Motijheel, Dhaka 1000 Bangladesh

Alternate Address for Cables	- SETU, DHAKA, BANGLADESH
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To the Agency for International Development:

Mail Address	- U.S.A.I.D. Mission/Bangladesh G.P.O. Box No. 2593 Dhaka, Bangladesh.
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Alternate Addresses for:	
Cables	- USAID, DHAKA, BANGLADESH.
Telex	- 642319 AEDKA BJ
Telefax	- 880-2-883648

All such communications will be in English, unless the Parties otherwise agree in writing. Other addresses may be substituted for the above upon the giving of notice.

SECTION 8.2. Representatives. For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the Office of Secretary or Joint Secretary of the External Resources Division, Ministry of Finance, and A.I.D. will be represented by the individual holding or acting in the Office of Director, U.S.A.I.D./ Bangladesh, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description of the project in Annex 1.

The Deputy Governor of the Bangladesh Bank is designated as an additional representative of the Grantee under this Agreement and may, by written notice, designate other such additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

SECTION 8.3. Standard Provisions Annex. A "Project Grant Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the People's Republic of Bangladesh and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year written below.

FOR THE PEOPLE'S REPUBLIC OF BANGLADESH FOR THE UNITED STATES OF AMERICA

BY:



Name: K.M. Ejazul Haq

Title: Joint Secretary
External Resources Division
Ministry of Finance

Date: June 6, 1990

BY:



Name: Jack C. Gunther, Jr.

Title: Acting Mission Director
USAID/Dhaka
Bangladesh

Date: June 6, 1990

AMPLIFIED PROJECT DESCRIPTION

FINANCIAL SECTOR REFORM PROGRAM TECHNICAL ASSISTANCE PROJECT
(A.I.D. PROJECT NO. 388-0078)

I. GENERAL PROJECT DESCRIPTION

A. Overview: To support policy changes under the Bangladesh Government's Financial Sector Reform Program (FSRP), A.I.D. is planning to grant up to \$19.4 million through the FSRP TA, over a five year period, in parallel with the World Bank's International Development Association (IDA) and the International Monetary Fund (IMF). IDA is expected to provide the BDG \$175 million in loan funds under a Financial Sector Credit. IDA funds are planned to be disbursed in three tranches over a two year period, after satisfaction of policy reform conditions set forth in its loan agreement with the BDG. The IMF is expected to provide four person years of technical assistance valued at approximately \$ 1.5 million.

B. Goal and Purpose: The goal of the Financial Sector Reform Program Technical Assistance Project (FSRP TA), the A.I.D.-funded portion of the Financial Sector Reform Program, is to improve the functioning of the Bangladesh commercial banking system including the Bangladesh Bank so as to accelerate the rate of economic growth and employment generation. Anticipated long-run improvement in the macroeconomy will be measured by a reduction in the inflation rate; increased profitability of commercial bank lending to the priority sectors of agriculture, exports and small industry; increased investment in the banking sector; and relative stability of real interest rates as compared to nominal interest rates.

The FSRP TA Project will address the above objectives by assisting the BDG to: (1) implement more flexible monetary policies and improve central bank supervision of commercial banks; (2) improve the operating capabilities of the four nationalized commercial banks (NCBs); and (3) prepare NCBs for privatization and increase the share of private banks in financial sector activities. A detailed list of end-of-project indicators and system for monitoring progress toward the above objectives, as further described in Section III below, will be set forth in project implementation letters.

C. Expected Inputs: The FSRP TA, will finance technical assistance, training and equipment. Technical assistance will be provided directly to the Bangladesh Bank (BB)--particularly the BB's Technical Unit, the NCBs, the Bangladesh Institute of Bank Management (BIBM), the Ministry of Finance's Policy Analysis Cell and, to the maximum extent feasible, private commercial banks.

Technical assistance will involve the services of nine long-term expatriate advisors, additional long-term local advisors and approximately thirty months of short-term expatriate and local consultants. Additional services for external evaluation and audit will also be financed under the project.

The training component includes provision of U.S. and regional non-degree training in monetary economics, commercial bank operations and bank computerization to selected BB and NCB personnel; in-country training in lending and bank management for BB, NCB and private bank personnel mainly at BIEM and in-country training to strengthen skills of BIEM personnel and improve BIEM courses. In-country training will include special courses, seminars and workshops.

The Project's commodity component will include procurement of appropriate capacity computers, necessary accessories, software and supplies to support improvement in the information management capability of BB and the NCBs. Commodity procurement will also include support for project consultants, as appropriate, such as office equipment, vehicles and residential equipment.

D. Expected Outputs: Specific outputs of the project are expected to include, among others:

- (1) a more detailed analytical framework for macro-financial analysis;
- (2) a better-trained cadre of officers working on macro-sector policy;
- (3) a fully-operational rediscount window; sale and purchase of BB special securities; and a fully-operational interest rate policy;
- (4) expansion of BB's computer operations and MIS system, with staff trained in computer, statistical and econometric skills;
- (5) improved systems of reporting by banks to the BB;
- (6) bank supervision based on analysis of bank financial condition;
- (7) a fully-operational Credit Information Bureau;
- (8) MIS systems and improved loan accounting systems established in the NCBs;
- (9) expanded computerization of NCB head offices and a limited number of branches;
- (10) planning and performance budgeting systems established in the NCBs;
- (11) revised loan policy procedures and improved loan recovery by NCBs;
- (12) market-oriented loan pricing and deposit rate setting and adjustment capabilities of NCBs;
- (13) improved BIEM course offerings;
- (14) information systems, manuals, techniques and other technical assistance outputs developed and made available to private and public commercial banks;
- (15) studies on bank privatization, banking personnel issues, effects of bank reform on credit availability in rural areas; and
- (16) NCBs and the BB to prepare an annual report relating to professional women in banking, describing employment levels and numbers of new women entrants to management and bank officer positions in the BB and NCBs and numbers of women bank officer participants in in-country and overseas training programs.

The general implementation schedule as well as target dates for achieving specific project outputs will be set forth in project implementation letters mutually agreed upon by the Parties or in the planned prime technical assistance contract and its work plans, as appropriate.

II. RESPONSIBILITIES OF THE PARTICIPANTS

A. Overall Coordination for the FSRP: Coordination, oversight and monitoring for the larger FSRP will be primarily the responsibility of the FSRP Review Committee--a committee comprised of representatives of BDG, IDA, USAID, IMF and the FSRP TA technical assistance team leader. The Review Committee will review the status of conditionality under the IDA loan as well as the impact and effectiveness of A.I.D. and IMF-financed technical assistance. The Review Committee will meet at least three times annually to review the findings of IDA missions, assess progress toward program objectives, identify impediments to progress, identify corrective actions and discuss implementation plans. The Committee, which will be established by the Grantee, will have clearly defined functions and authorities, including the authority to recommend and follow up recommendations for corrective actions. The BB Deputy Governor will serve as Project Director and chairman of the FSRP Review Committee.

B. Prime Technical Assistance Contractor: A prime technical assistance contractor will be employed under the FSRP TA Project to provide the majority of project inputs described in Section I, through the services of long and short term consultants, in accordance with the terms of a contract scope of work to be agreed upon. The prime TA contractor will be responsible for recommending and arranging training programs and for procuring a portion of project equipment under its contract.

The contractor will work closely with the BB (particularly the BB's Technical Unit), the NCBs, the BIBM, the Ministry of Finance Policy Analysis Cell and, to the maximum extent feasible, with private commercial banks, in providing its assistance toward project outputs. It will: (1) collect and analyze necessary data and develop baseline indicators relating to project objectives; (2) establish realistic benchmarks for achieving project objectives; and (3) develop a monitoring and information system and assess progress toward meeting benchmarks and objectives.

All long and short-term consultants and subcontractors employed under the prime contract will work under the direction of the contractor's team leader. The team leader will also participate as a member of the FSRP Review Committee.

The prime and subcontractors will be responsible for their own administrative support requirements with the limited exception of office space provided, as appropriate, by local institutions.

C. Project Coordinator: A Project Coordinator will be employed under the PSRP TA for the life of the project to assist in project administration and monitoring and to serve as a liaison among A.I.D., the prime TA contractor, the BB, NCBs, private banks, BIBM, Ministry of Finance, IDA and the IMF.

D. A.I.D.: A.I.D. will be responsible for procuring, in accordance with standard A.I.D. direct contracting procedures, the services of the prime Technical Assistance (TA) contractor, all commodities not procured under the TA contract, the services of the Project Coordinator and external evaluation and audit teams, as necessary and for providing direction to these contractors. In cooperation with these entities, A.I.D. will monitor prime contractor performance and ensure that technical assistance resources are devoted solely to the purposes of the PSRP TA. A.I.D. will be responsible for procurement of most computer hardware and accessories required for the project.

A.I.D. will closely monitor overall progress toward Project and Program objectives. It will participate in monitoring progress of the larger PSRP, compliance with IDA FSC loan terms and schedules, and the impact of AID-financed TA through the PSRP Review Committee. In addition, it will coordinate with IDA and IMF under the terms of a separate memorandum of understanding with those parties.

A.I.D.'s Office of Economics and Enterprise will be responsible for directing A.I.D.'s involvement in project implementation and monitoring.

E. BDG Agencies: The BB will serve as the main counterpart entity in the BDG for this Project with primary responsibility for ensuring that Grantee obligations under this Agreement are met. The BB Deputy Governor will serve as Project Director and chairman of the PSRP Review Committee. The BB Technical Unit will provide support services to the Review Committee.

The BB, NCBs, BIBM and Ministry of Finance shall be responsible for providing office space, as appropriate, for long and short-term technical consultants. Those institutions will make additional contributions to the Project in the form of counterpart staff salaries, sales taxes and customs duties on imported commodities, utilities, furnishings, printing, and other services and support facilities. BDG institutions listed are responsible for providing necessary information, reports and assistance to the prime contractor to develop baseline indicators and assess progress toward project objectives.

F. Other Donors: IDA and the IMF will provide assistance to PSRP through parallel financing in accordance with their own procedures. It is anticipated that IDA and IMF representatives will monitor the PSRP and IDA FSC loan terms and schedules independently, through the PSRP Review Committee and in consultation with A.I.D. pursuant to a written memorandum of understanding. The latter will include, among other things, participation of A.I.D. representatives on IDA missions to review status of conditionality contained in the IDA loan agreement.

It is recognized that both A.I.D. and the Grantee have developed internal planning documents to provide greater detail concerning planned assistance under the FRSP TA. However, it is this Agreement and formal project implementation letters issued pursuant to its terms that contain binding rights and obligations as between the two Parties.

III. SELECTION OF PRIME CONTRACTOR

The process for selecting the prime contractor shall follow standard A.I.D. procedures for A.I.D. direct contracts. In accordance with these procedures, A.I.D. will establish a Technical Evaluation Committee to evaluate bidders' technical proposals to the FSRP TA Request for Proposals. The Committee will rank order the bidders' responses and provide this information to the USAID Contract Officer who will award the contract. The Committee Chairman will be a USAID representative; other Committee Members will be a representative of the Bangladesh Bank, a technically qualified representative from the Ministry of Finance and Planning, and two technically qualified representatives from A.I.D. The Project Director and the USAID Director of the Office of Economics and Enterprise will approve any subsequent changes in the prime contractor's long-term consultants.

IV. MONITORING, EVALUATION AND AUDIT

The USAID Project Co-ordinator and the TA Team Leader will, in the early stages of project implementation, set up a system for tracking and reporting to A.I.D. progress in Project and Program implementation and achieving planned outputs. The system will include quantitative and qualitative information on progress and results in relation to each of the outputs and will define associated data collection and reporting requirements for the BB, BIBM and NCBs. This information will be provided to A.I.D. in quarterly and annual progress reports of the TA Team and through the timely provision of administrative records and special reports by local banking institutions as required by the system.

A mid-term evaluation is planned to begin approximately two years after arrival of the prime contractor's team leader. This evaluation will review past performance based on measurable outputs and reassess specific plans for the remaining years of the project. The evaluation will provide guidance for mid-course corrections and changes in project design and implementation, if required. A final evaluation is also anticipated before the project completion date.

Periodic audits will be conducted by A.I.D. and by non-federal auditors under contract with A.I.D. Funds are set aside in the Project's illustrative financial plan for this purpose.

V. ILLUSTRATIVE FINANCIAL PLANS

A. The financial plans set forth below are for illustration purposes only. Changes may be made to the plans by representatives of the Parties specified in the text of the Agreement without formal amendment to the Agreement, provided such changes do not cause: (a) A.I.D.'s contribution to exceed the amount specified in the text of the Agreement, or (b) the BDG's contribution to be less than the amount specified in the text of the Agreement.

A.I.D.'s future obligations are subject to the availability of funds and mutual agreement of the Parties to proceed.

B. Illustrative Financial Plan for Total Estimated Cost of BDG Financial Sector Reform Program.

(I) Donors:

1. IDA FSC Loan	\$175.0 million	
2. USAID FSRP TA Grant	\$19.4 million	
3. IMF TA	<u>\$1.5 million</u>	
Subtotal		\$195.9 million

(II) BDG Contribution Over Four Years:

1. Direct contribution to FSRP TA		Taka 58 million
2. Recapitalization of NCBs (including the values of bonds not disbursed as cash), assistance with BJMC and BJC debt service requirements, and reimbursement for the cost of interest rate subsidies.**/		<u>Taka 18,642m</u>
Subtotal	<u>Taka 18,700m</u>	<u>\$550.0 million*/</u>
Total for FSRP		<u>\$745.9 million</u>

*/ At exchange rate of \$1.00=34 Taka

**/ The estimate of Taka 18,642 million will be revised as the detailed actions are firmed up and the loan provisioning exercise nears completion.

C. Illustrative Financial Plan for A.I.D. Contribution to USAID FSRP TA Project.

<u>Project Inputs</u>	(U.S. Dollar Thousands)		
	<u>Obligated by this Agreement</u>	<u>Planned Future Obligations</u>	<u>Total LOP Funding</u>
1. Training	353	948	1,301
2. Technical Assistance	3,988	10,098	14,086
3. Commodities	1,476	1,280	2,756
4. Project Co-ordinator	118	691	809
5. External Evaluation	60	282	342
6. Audit	5	115	120
Total	<u>6,000</u>	<u>13,414</u>	<u>19,414</u>

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