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IDA/R2016-0095/1

May 17, 2016

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<p><b>Closing Date: Monday, June 6, 2016 at 6 p.m.</b></p>
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FROM: Vice President and Corporate Secretary

**Bangladesh - Public Procurement Reform Project II**

**Additional Financing**

**Project Paper**

Attached is the Project Paper regarding a proposed additional credit to Bangladesh for a Public Procurement Reform Project II (IDA/R2016-0095), which is being processed on an absence-of-objection basis.

Distribution:

Executive Directors and Alternates  
President  
Bank Group Senior Management  
Vice Presidents, Bank, IFC and MIGA  
Directors and Department Heads, Bank, IFC and MIGA

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The World Bank

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Report No: PAD1803

INTERNATIONAL DEVELOPMENT ASSOCIATION

PROJECT PAPER

ON A

PROPOSED ADDITIONAL CREDIT

IN THE AMOUNT OF SDR 7.1 MILLION  
(US\$10 MILLION EQUIVALENT)

AND RESTRUCTURING

TO THE

PEOPLE'S REPUBLIC OF BANGLADESH

FOR A

PUBLIC PROCUREMENT REFORM PROJECT II

May 9, 2016

Governance Global Practice  
South Asia Region

This document is being made publicly available prior to Board consideration. This does not imply a presumed outcome. This document may be updated following Board consideration and the updated document will be made publicly available in accordance with the Bank's policy on Access to Information.

## CURRENCY EQUIVALENTS

(Exchange Rate Effective March 31, 2016)

Currency Unit	=	Taka (Tk)
Tk 78.45	=	US\$1
US\$1.408820	=	SDR 1

## FISCAL YEAR

July 1 – June 30

## ABBREVIATIONS AND ACRONYMS

BCC	Bangladesh Computer Council
BIGD	BRAC Institute of Governance and Development
BRACU	BRAC University
BREB	Bangladesh Rural Electrification Board
BWDB	Bangladesh Water Development Board
CIPS	Chartered Institute of Procurement & Supply
CPTU	Central Procurement Technical Unit
DG	Director General
DLI	Disbursement-linked Indicator
e-GP	Electronic Government Procurement
e-PMIS	Online Procurement Management Information System
ESCB	Engineering Staff College of Bangladesh
FA	Financing Agreement
GoB	Government of Bangladesh
GRS	Grievance Redress Service
ICT	Information and Communication Technology
IFR	Interim Un-audited Financial Report
IMED	Implementation Monitoring & Evaluation Division
IT	Information Technology
LGED	Local Government Engineering Department
M&E	Monitoring and Evaluation
M&O	Management and Operation
MCIPS	Member of the CIPS
NCB	National Competitive Bidding
PDO	Project Development Objective
PE	Procuring Entity
PPRP II	Public Procurement Reform Project II
PPRP II AF	Additional Financing of PPRP II

PPRP II AF2	Second Additional Financing of PPRP II
PPSC	Public-Private Stakeholders Committee
PROMIS	Procurement Management Information System
RHD	Roads and Highways Department
Target Agencies	RHD, LGED, BREB, and BWDB
TB	Terra-byte

Vice President:	Annette Dixon
Country Director:	Qimiao Fan
Senior Global Practice Director:	Deborah L. Wetzel
Practice Manager:	Felipe Goya
Task Team Leader:	Zafrul Islam

**BANGLADESH**  
**SECOND ADDITIONAL FINANCING TO PUBLIC PROCUREMENT REFORM**  
**PROJECT II**

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**ADDITIONAL FINANCING DATA SHEET**

*Bangladesh*

*Second Additional Financing to Public Procurement Reform Project II (P158783)*

*SOUTH ASIA REGION*

*GOVERNANCE GLOBAL PRACTICE*

<b>Basic Information – Parent</b>							
Parent Project ID:	P098146			Original EA Category:	C - Not Required		
Current Closing Date:	31-Dec-2016						
<b>Basic Information – Additional Financing (AF)</b>							
Project ID:	P158783			Additional Financing Type (from AUS):	Cost Overrun		
Regional Vice President:	Annette Dixon			Proposed EA Category:	C – Not Required		
Country Director:	Qimiao Fan			Expected Effectiveness Date:	05-Jul-2016		
Senior Global Practice Director:	Deborah L. Wetzel			Expected Closing Date:	30-Jun-2017		
Practice Manager/Manager:	Felipe Goya			Report No:	PAD1803		
Team Leader(s):	Zafrul Islam						
<b>Borrower</b>							
Organization Name	Contact	Title	Telephone	Email			
Implementation Monitoring & Evaluation Division (IMED)/Central Procurement Technical Unit (CPTU)	Mr. Md. Faruque Hossain	Director General	+ 880 2 9144252	cptudg@cptu.gov.bd			
<b>Project Financing Data - Parent ( Public Procurement Reform Project II-P098146 ) (in US\$, millions)</b>							
Key Dates							
Project	Ln/Cr/TF	Status	Approval Date	Signing Date	Effectiveness Date	Original Closing Date	Revised Closing Date
P098146	IDA-43500	Effective	05-Jul-2007	26-Jul-2007	12-Sep-2007	31-Mar-2013	31-Dec-2016
P098146	IDA-52420	Effective	09-May-2013	10-Jun-2013	28-Jul-2013	31-Dec-2016	31-Dec-2016

Disbursements									
Project	Ln/Cr/TF	Status	Currency	Original	Revised	Cancelled	Disbursed	Undisbursed	% Disbursed
P098146	IDA-43500	Effective	XDR	15.50	15.50	0.00	15.50	0.00	100.00
P098146	IDA-52420	Effective	XDR	22.80	22.80	0.00	13.62	9.18	59.74
<b>Project Financing Data - Additional Financing Second Additional Financing to Public Procurement Reform Project II ( P158783 )(in US\$, millions)</b>									
<input type="checkbox"/> Loan <input type="checkbox"/> Grant <input type="checkbox"/> IDA Grant <input checked="" type="checkbox"/> Credit <input type="checkbox"/> Guarantee <input type="checkbox"/> Other									
Total Project Cost:		12.00		Total Bank Financing:		10.00			
Financing Gap:		0.00							
<b>Financing Source - Additional Financing (AF)</b>								<b>Amount</b>	
BORROWER/RECIPIENT								2.00	
International Development Association (IDA)								10.00	
Total								12.00	
<b>Policy Waivers</b>									
Does the project depart from the CAS in content or in other significant respects?							No		
Explanation									
Does the project require any policy waiver(s)?							No		
Explanation									
<b>Team Composition</b>									
<b>Bank Staff</b>									
Name	Role	Title	Specialization	Unit					
Zafrul Islam	Team Leader (ADM Responsible)	Lead Procurement Specialist	Procurement & Project Management	GGO06					
Jorge L. Alva-Luperdi	Legal	Senior Counsel	Legal Counseling	LEGES					
Ishtiaq Siddique	Procurement Specialist	Senior Procurement Specialist	Procurement	GGO06					
Mohammad Reaz Uddin Chowdhury	Financial Management Specialist	Financial Management Specialist	Financial Management	GGO24					
A.N.M. Mustafizur Rahman	Team Member	Consultant	e-GP Implementation Consultant	GGO06					

Nafisa Rusmila	Team Member	Program Assistant	Project Support	SACBD
Masud Mozammel	Team Member	Senior Communications Officer	Communications & Social Engagement	ECRGP
Mehrin A. Mahbub	Team Member	Communications Officer	Communications	SAREC
Paul Schapper	Team Member	Consultant	e-GP Policy Advisor	GGO06
Tanvir Hossain	Team Member	Senior Procurement Specialist	e-GP	GGO06
Satish K. Shivakumar	Disbursement	Finance Officer	Accounting and Loan	WFALN
Zahed H. Khan	Team Member	Senior Urban Specialist	Urban	GSU12
Zubair K.M. Sadeque	Team Member	Senior Energy Specialist	Energy	GEE06
Shakil Ahmed Ferdousi	Team Member	Senior Environment Specialist	Environment	GEN06
Sabah Moyeen	Team Member	Senior Social Development Specialist	Social	GSU06

#### Locations

Country	First Administrative Division	Location	Planned	Actual	Comments
Bangladesh					

#### Institutional Data

**Parent (Public Procurement Reform Project II-P098146)**

#### Practice Area (Lead)

Governance

#### Contributing Practice Areas

#### Cross Cutting Topics

[...] Climate Change

[ ] Fragile, Conflict & Violence

[...] Gender

[...] Jobs

[X] Public Private Partnership

#### Sectors / Climate Change

Sector (Maximum 5 and total % must equal 100)

Major Sector	Sector	%	Adaptation	Mitigation Co-
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			Co-benefits %	benefits %
Public Administration, Law, and Justice	Central government administration	80		
Public Administration, Law, and Justice	Subnational government administration	10		
Health and other social services	Other social services	5		
Information and communications	General information and communications sector	5		
Total		100		
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Public sector governance	Public expenditure, financial management and procurement	29		
Public sector governance	Other public sector governance	29		
Public sector governance	Administrative and civil service reform	14		
Public sector governance	Other accountability/anticorruption	14		
Social dev/gender/inclusion	Participation and civic engagement	14		
Total		100		
<b>Additional Financing Second Additional Financing to Public Procurement Reform Project II ( P158783 )</b>				
<b>Practice Area (Lead)</b>				
Governance				
<b>Contributing Practice Areas</b>				
Energy & Extractives, Transport & ICT, Water				
<b>Cross Cutting Topics</b>				
[ ] Climate Change				
[ ] Fragile, Conflict & Violence				
[X] Gender				
[X] Jobs				
[ ] Public Private Partnership				
<b>Sectors / Climate Change</b>				
Sector (Maximum 5 and total % must equal 100)				
Major Sector	Sector	%	Adaptation	Mitigation Co-

			Co-benefits %	benefits %
Information and communications	Information technology	60		
Public Administration, Law, and Justice	General public administration sector	40		
<b>Total</b>			100	
<input checked="" type="checkbox"/> I certify that there is no Adaptation and Mitigation Climate Change Co-benefits information applicable to this project.				
<b>Themes</b>				
Theme (Maximum 5 and total % must equal 100)				
Major theme	Theme	%		
Public sector governance	e-Government	40		
Public sector governance	Public expenditure, financial management and procurement	50		
Rule of law	Other rule of law	10		
<b>Total</b>			100	
<b>Consultants (Will be disclosed in the Monthly Operational Summary)</b>				
Consultants Required? Yes				

## I. Introduction

1. This project paper seeks the approval of the Executive Directors to provide a second additional credit in an amount of US\$10 million equivalent to Bangladesh: Public Procurement Reform Project II (PPRP II – P098146). PPRP II is supported by an Original Credit (Credit No. 4350-BD) in an amount of SDR 15.5 million, approved on July 5, 2007, and a first Additional Credit (Credit No. 5242-BD) in an amount of SDR 22.8 million, approved on May 9, 2013. The project paper also proposes a Level 2 restructuring of the original project that would extend the Closing Dates of the Original Credit and the first Additional Credit to allow for the completion of the remaining activities.

2. The proposed second additional financing to the well-performing PPRP II will help finance the costs associated with the replacement of the electronic government procurement (e-GP) data center and completing the remaining activities related to professional certification in procurement and a part of e-GP training.

3. The existing PPRP II, with its ongoing additional financing, has made tangible progress in the overall project implementation by achieving most of the project development objectives (PDOs) and thus substantially contributing to the enhanced economy, efficiency, and transparency in public procurement, with due regard to value for money. In recent years, the introduction of e-GP under a single national web portal has brought an enormous shift in the procurement practices of not only the public procurement entities but also the bidding community, which led the policymakers to think about a potential transformational change of the public procurement environment in the country. The major changes being proposed and the expected outcomes from the activities to be supported with the second additional financing are summarized below.

4. **Tier-3 data center and mirror site of e-GP.** e-GP has been rapidly transforming the public procurement environment of Bangladesh. To meet its exponential growth, the Central Procurement Technical Unit (CPTU)—the nodal agency of the government—needs a robust data center with significantly enhanced capacity on a priority basis. The project had the provision of replacing the existing data center with a new one, but it is running short of funds. Over the last two years, the actual growth of e-GP has been many times higher than the projection. The new data center with state-of-the-art technology will need to fulfil the demand of full-scale implementation of e-GP throughout the country within the next few years. The key outcome will be to enhance the gains already achieved with full benefits of digitizing the entire public procurement environment in the country under a single framework.

5. **Core competence program and the e-GP training.** The international procurement accreditation program with the core competence course of the UK-based Chartered Institute of Procurement & Supply (CIPS/UK) has been receiving high appreciation, leading to a professional diploma (Member of the CPIS – MCIPS) that is directly contributing to building and institutionalizing the capacity development. Out of the target of 125 participants in five cohorts, 87 have already received member status of CIPS after completing levels 4, 5, and 6 of the CIPS. There is a financing shortage for level 6 of the last cohort of participants (about 25). Also, some associated e-GP training cost needs to be covered with budgetary support. The expected outcome is to achieve enhanced professionalization of procurement practitioners.

6. **Closing Dates of the Original and Additional Credits.** The closing date of proposed second additional credit is June 30, 2017. The Original Credit and the first Additional Credit are proposed to be extended for six months, up to June 30, 2017, to complete all activities including commissioning of the new data center, continuation of the e-GP management and operation (M&O) contract, and completion of the MCIPS for the remaining batch.

## **II. Background and Rationale for Additional Financing in the Amount of US\$10 million**

### **A. Country Context**

7. Investing for enhanced accountability and good governance is a high priority both for the World Bank and the government of Bangladesh (GoB). In Bangladesh, it is estimated that annual expenditure on procurement in the public sector accounts for 20–24 percent of the annual national budget and 60–80 percent of the annual development budget. The current volume of procurement under the annual development budget is about US\$6 billion, about 40 percent of which is spent by the four target agencies of the project: Roads and Highways Department (RHD), Local Government Engineering Department (LGED), Bangladesh Water Development Board (BWDB), and Bangladesh Rural Electrification Board (BREB).

8. The GoB over the years has been making sustained efforts to bring about systemic changes with the Bank’s assistance by implementing a complete package of reforms (legislations, institutional framework, capacity development, e-GP, and social accountability) with three consecutive credits through the Public Procurement Reform Project (2002–2007), PPRPII (2007–2013), and the PPRPII first additional financing (AF) (2013–2016). The country now has a good foundation of public procurement by having a nodal agency to regulate procurement, procurement laws with rules and associated documentations, an extensive capacity development program, an online performance monitoring system, and the e-GP at the four target agencies. As part of the e-governance framework, the government has given high priority to technology-based development.

9. The country has been transforming its public procurement environment by shifting gradually from traditional procurement practices to international standards through digitization. This has been showing marked improvement in enhancing the economy, efficiency, and transparency of the system, resulting in savings of transaction costs with better value for money and improved overall governance in the field. e-GP is one of the four project components that has provided the country with a comprehensive single e-GP portal (starting with procurement planning up to the final payment including contract management and performance measurement). As reported from the field, despite infrastructural constraints, the bidding community has managed to reduce labor costs, visits, and documentation costs and is enjoying the freedom of submitting a bid from anywhere, which has not only contributed to reducing inappropriate bidding practices, like collusion/coercion/fraudulent practices, but also flagged the new epoch of doing business with the government. The e-GP growth in the last couple of years is exponential, with currently over 80 percent of procurement in the four agencies now going through the e-GP platform. The government’s strategy in accelerating and strengthening the information and communication technology (ICT) sector has led the way for sustained e-GP growth.

## **B. Sectoral Policy and Sector/Institutional Context**

10. Public procurement outcomes are visible through a governance result indicator that can directly contribute to enhancing the quality of public service. Each year, Bangladesh spends around US\$10 billion of its national budget on public procurement to build and maintain schools, roads, power plants, and others. Public funds can be used effectively for the people only when the public procurement system is transparent and efficient. Efficient procurement function through e-GP has shifted away from traditional procurement standards—paper work and long processing time—and rolled out an efficient procurement system.

11. There is growing recognition within the country that enhancing accountability and improving governance in the public sector through technology is an important element in expediting poverty reduction, improving the investment climate, and accelerating private sector-led growth that are priority objectives of the government's Seventh Five Year Plan (FY16–FY20)—Accelerating Growth and Empowering Citizens. Aligned with the government's priorities, the Country Partnership Framework (CPF) 2016–2020 (Report No. 103723-BD, April 5, 2016) includes enhancing growth and promoting inclusion as focus areas. Increasing effectiveness and efficiency in the use of public resources are seen as important factors for improving the investment climate and accelerating the pace of poverty reduction. The project is well aligned with the CPF's objectives of supporting policies and systems aimed at improving transparency and service delivery.

12. The Bank, as part of its broader agenda with enhanced focus on outcomes/results, is moving from a transactions-based approach to a principle-based approach with the focus on strengthening country systems and its institutions. Within this, the Bank's Procurement Policy Framework has been revised and will be effective shortly. Thus, the support for strengthening the e-GP system is fully aligned with the Bank's effort to support the long-term sustainability of the country procurement system.

13. Large key agencies are rapidly progressing with e-GP while there are numerous other public sector agencies that need to be included in the e-GP platform. Concurrently, the government at its highest level (Prime Minister) attaches high priority to addressing project implementation difficulties with particular reference to overcoming procurement issues with the help of information technology (IT). Toward this, e-GP has been making ground-breaking impacts, with its rapid expansion and usage. As of November 2015, about 18,000 suppliers/bidders are registered in the e-GP system, with about 32,000 tenders invited, valued over US\$3 billion.

14. The key factors that may have an impact on the reform efforts include possible disruption in maintaining political commitment; lack of harmonized endeavor by the line ministries in implementing the procurement law; existence of interference from vested quarters, in particular reference to traditional tendering process; and so on. Despite a challenging environment, while much has been achieved in reforming the public procurement environment and a promising foundation for further improvement has been put in place, challenges remain particularly in maintaining consistency in the procurement legal structure and keeping the momentum of the legacy of an efficient and effective system.

15. In recent times, a tendency has been observed to bring in frequent amendments to the public procurement law of the country, some of which are inconsistent with good procurement practices. A few incidences of inappropriate practices in the procurement arena may cause government's reputational risk in the evolving foundation of the overall governance framework. More needs to be done, especially to keep pace with the changing government structures (for example, decentralization and local government), the increasing volume and complexity of public procurement, and the rising demand for public services. While the project has been successful in achieving most objectives, a continued effort is needed to keep up with increasing demands of rolling out the well-accepted e-GP system, improve the measurement system for transparency and efficiency through an online procurement management information system (PROMIS) within GP (e-PMIS) (a built-in module in e-GP), and enhance public perception and accountability through citizen engagement and oversight.

### C. Project Implementation Status

16. The original PPRPII, effective September 2007, has been implemented with a credit amount of US\$23.6 million equivalent, followed by the ongoing PPRPII AF, effective July 2013, with a credit of US\$34.5 million equivalent. PPRPII has four components that deal with capacity development, sectoral strengthening of procurement, e-GP, and social accountability and largely focuses on the four target agencies (Roads and Highways Department [RHD], Local Government Engineering Department [LGED], Bangladesh Water Development Board [BWDB], and Bangladesh Rural Electrification Board [BREB]), followed by 20 additional agencies in PPRPII AF (for capacity development only). Both the PDO and implementation progress are rated Satisfactory.

17. With about 76 percent disbursement, the project has been showing visible results on the ground in improving transparency, efficiency, and governance in decentralized procurement, minimizing inappropriate bidding practices (bid rigging/threatening, collusions, and so on) with significant reduction in the number of complaints in the e-GP system. Evidence-based data is clearly showing progressive improvement in the public procurement environment of Bangladesh, with exponential growth of e-GP in combination with increased self-sustainability of the system.

18. **Results/outcomes.** The PDO has continued to be rated Satisfactory. The project has progressed well and achieved most PDOs. The key results/outcomes are summarized below:

- (a) *Improved efficiency.* (i) Reduction of procurement delays with the award of contract within the initial bid validity period - 2015: 81 percent and 2012: 65 percent; and (ii) reduction of procurement lead time—tender opening to award -2015: 29 days and 2012: 51 days.
- (b) *Enhanced transparency.* (i) Website publication of contract awards - 2015: 85 percent, 2012: 70 percent, and 2007: 7 percent; (ii) website publication of bid invitations - 2015: 100 percent, 2012: 80 percent, and 2007: 70 percent; and (iii) website publication of quarterly performance reports - 2015: 90 percent and 2012: 7 percent.
- (c) *Increased competition in e-GP.* Average number of bids - 2015: 7 and 2012: 4.

- (d) *Minimized collusion/coercion/bid rigging/fraud/inappropriate bidding practices at decentralized level.* (i) Significant reduction in the frequency of newspaper reporting in 2015 as against 2011–2013; (ii) insignificant number of complaints in e-GP in 2015 - less than 1 percent cases against the substantial number of complaints in traditional tendering during 2010–2013; and (iii) increase in the percentage of resolution of complaints - 2015: 60 percent and 2013: 7 percent.
- (e) *Introduced e-GP for enhanced transparency.* Bids invited in e-GP through national competitive bidding (NCB) - 2015: over 32,000 and 2012: 14.
- (f) *Exponential growth of e-GP.* (i) Number of registered bidders grown 35-fold - 2015: 18,000 and 2012: 525; (ii) number of bid invitations grown over 223 times - 2015: 32,000 and 2012: 144; (iii) value of bid invitations grown over 117-fold - 2015: US\$3 billion and 2012: US\$18 million.
- (g) *Increased self-sustainability of the e-GP system with its own revenues - Earning forecast/actual.* FY16: US\$1.25 million/US\$4 million; FY15: US\$0.95 million/US\$4 million; FY14: US\$0.55 million/US\$1.8 million.
- (h) *Enhanced professionalization and institutionalization of capacity development.* (i) Three-weeks trained staff - 2015: 2,119; 2013: 384; (ii) internationally certified MCIPs with top-up master's - 2015: 72 and 2013: 35; (iii) master's in sustainable procurement - 2015: 16 and 2013: 0.

19. **Capacity development and institutionalization.** Under the ongoing PPRPII AF, with international collaboration (Fineurop Soditic S.p.A.), training is being delivered mainly at the Engineering Staff College of Bangladesh (ESCB), followed by Bangladesh Institute of Management. As of November 2015, 2,119 participants in 72 batches against the target of 2,700 have received the main training of three weeks on public procurement. With regard to the number of procuring entities (PEs), 87 percent of the PEs of the four target agencies and 75 percent of the PEs of the additional agencies have at least one trained staff. On the core competence front, as of January 2016, Bangladesh has internationally accredited 112 MCIPs, with 87 from the IDA credit financing and 25 from the private sector with their own finances. In addition, 84 have completed master's in procurement (68 MCIPs with top-up master's in procurement and supply management from BRAC University-BRAC Institute of Governance and Development [BRACU-BIGD] and 16 master's in sustainable procurement from the University of Turin, Italy.

20. **Online performance measurement.** The GoB established e-PMIS for tracking procurement performance with a set of indicators to measure efficiency, transparency, and competitiveness of the system. All the four target agencies are publishing e-PMIS indicator reports on their respective organization websites and on the CPTU website.

21. **e-GP.** On the e-GP front, enormous growth has been seen in recent years despite initial challenges encountered both by the PEs and the bidding community. It has substantially exceeded the set targets both for e-GP and the procurement performance tracking in PROMIS using e-GP. Other agencies are also showing a deep interest to register in the e-GP system and

use the platform, although capacity constraints within the e-GP operations have limited this extension until the new data center is in place. As of February 2016, against the project-end (December 2016) e-GP target of about 9,350 bid invitations by the four target agencies in NCB, there has been a total of 24,545 bids invited already, with the country total of 33,977. A good part of the e-GP system information is available to the public, for example, bid invitations, contract awards, and quarterly online procurement performance monitoring reports with 45 indicators that, among others, measure the efficiency, transparency, and competitiveness of the system.

22. **Behavioral change communication.** Extensive behavioral change and a communication campaign are ongoing with potential civic engagement. It completed the formation of 32 government-contractors forums (*Kroi Sanglap*) and 37 e-GP awareness workshops, with follow-on activities for the digital billboards with live data, mobile applications, and various face-to-face events. To meet the demand side of governance with civic engagement as the third eye on overall procurement, the model of third-party monitoring is being piloted by the BRACU -BIGD with its two field-level nongovernmental organizations using feedback from the citizen committee at the sub-district level. To uplift the third-party monitoring agenda as a core policy issue, the Public-Private Stakeholders Committee (PPSC) involving high-level representatives of different key stakeholders is holding a meeting to provide strategic support. The GoB plan for further consolidation of this citizen engagement process includes open contracting and data standards in the next planned operation in FY17/FY18.

#### *Disbursement Status*

23. As of March 10, 2016, the total disbursement for the two credits under PPRPII is 76 percent. In PPRPII, the entire amount of the credit (43500-BD), that is, SDR 15.5 million, has been disbursed. In PPRPII AF, SDR 13.62 million, out of SDR 22.8 million, has been disbursed that constitutes 60 percent of the credit (52420-BD). This is slower than expected as there was an issue with DLI payment modalities in the Financing Agreement despite full achievement of all the DLI targets. The project has subsequently been restructured on September 29, 2015 to streamline the inconsistency. Now, after fulfilling the procedural requirements, payment of outstanding DLIs is expected to be completed by June 2016 that will substantially improve the scenario. In addition, there is a clear road map for the remaining activities that demonstrates full disbursement within the project period. For the new data center, claim under PPRPII AF will be made first, followed by the proposed second additional financing (PPRPII AF2).

#### **D. Rationale for Additional Financing**

24. e-GP has received the highest level of commitment of the GoB (Prime Minister) and, as part of its overall strategy to improve governance with IT enhancement, the GoB has set a target to cover all procurement through e-GP within the next two years. The Prime Minister's Office is closely monitoring the e-GP expansion progress. The potential intrinsic benefit and quick adoption by bidders and PEs has revealed the importance of GP and the need to expand the capacity of the existing data center and establish a full-fledged high-capacity data center, along with a mirror site, to cover all public sector organizations.

25. The CPTU made an assessment of the future use of e-GP and its growth projections up to 2020 covering the estimated number of public sector organizations, PEs, tender invitations, tenderers, and tender submissions. From 2015 to 2020, the number of public sector organizations entering into e-GP is expected to increase by about 12 times (97 to 1,233), PEs by about 10 times (1,929 to 20,639), tender invitations by about 33 times (26,029 to 861,932), tenderers by 8 times (15,039 to 128,302), and actual transactions/tender submissions by over 40 times (205,530 to 8,564,560). This growth has been transformed into the infrastructural need after calculating storage capacity (files and database), number of servers, switches, and so on. In 2020, the total useable storage capacity requirement will be about 200 Terra-byte (TB) as against about 3 TB in mid-2015, with file and database server capacity increase as follows: the useable file server storage capacity is expected to be increased by about 180 times (0.82 TB to 148 TB) and database storage capacity by about 85 times (0.64 TB to 55 TB). The main data center will have a mirror site of exactly the same capacity and architecture and is expected to be in active-active mode.

26. After about five years of operation, the existing data center is due for replacement by 2016, which is normal for such high technology IT like this. However, the cost for the proposed data center that is planned to be procured will substantially exceed the allocated cost of replacement of the data center under the ongoing project. The original estimate was about US\$1 million only, while the new proposed data center with enhanced capacity to cover the entire country is about US\$9 million. The new data center cost will be shared between the existing credit (about 20 percent of contract) and the proposed credit (about 80 percent of contract). The GoB has underscored the importance and wide acceptance of e-GP in the arena of public procurement. In addition, there is also a funding gap for the capacity-building component, with particular reference to the contract for the core competence program (CIPS), and the e-GP training provisions.

27. Alternatives were considered before proposing this additional financing. The option was a small-scale investment in a data center with limited capacity. However, this will be inconsistent with the growth in demand in the e-GP implementation in other public sector organizations and the highest level of commitment of the government to transform the procurement practices to e-GP within the next two years that the Bank has been supporting over the years. Recognizing the growing demand of the quality service of e-GP, the option of immediate enhancement of the data center resources is preferred.

### III. Proposed Changes

#### Summary of Proposed Changes

28. **Project components.** There will be adjustments in two project components: (a) Under Component 1 (Furthering Policy Reform and Institutionalizing Capacity Development), some adjustments will be made to include the remaining level 6 of the CIPS course for the last batch and to provide more training to bidders; (b) Under Component 3 (Introducing e-GP), adjustments will be made to expand the capacity of the data center and its procurement.

29. **PDO indicator.** There is no change proposed in the PDO indicator; however, the measurement methodology for the e-GP-related indicator will be adjusted for better clarity. Also,

project end target values of a few critical indicators will be adjusted in light of the extended project period by six months.

**30. Credit closing date.** It is proposed to extend the closing date of the Original Credit and first Additional Credit by six months, that is, up to June 30, 2017.

Change in Implementing Agency	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Project's Development Objectives	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Results Framework	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Safeguard Policies Triggered	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change of EA category	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Other Changes to Safeguards	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Legal Covenants	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Loan Closing Date(s)	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Cancellations Proposed	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Reallocation between Disbursement Categories	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Disbursement Estimates	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change to Components and Cost	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Change in Institutional Arrangements	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Financial Management	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Procurement	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]
Change in Implementation Schedule	Yes [ <input checked="" type="checkbox"/> ] No [ <input type="checkbox"/> ]
Other Change(s)	Yes [ <input type="checkbox"/> ] No [ <input checked="" type="checkbox"/> ]

### **Development Objective/Results**

#### **Project's Development Objectives**

##### Original PDO

31. The PDO is to improve performance of the public procurement system progressively in Bangladesh, focusing largely on the target agencies. The PDO will be achieved by strengthening the ongoing reform process and moving it further along with the following outputs: (a) enhanced capacity in creating a sustained program to develop skilled procurement professionals, (b) strengthened management and monitoring of procurement in target agencies, (c) introduction of e-GP in the CPTU and the target agencies on a pilot basis, and (d) creation of greater public awareness of a well-functioning public procurement system by engaging civil society, think tanks, beneficiaries, and the private sector. All these actions are key elements in effective

implementation of the procurement law/regulations.

**Change in Results Framework**

Explanation:

32. The e-GP indicator achievement methodology will be adjusted for better clarity; also, as the project will be extended for six months up to June 30, 2017, the end targets of some indicators will be enhanced.

33. **Compliance:** None

**Compliance**

**Covenants - Additional Financing ( Second Additional Financing to Public Procurement Reform Project II - P158783 )**

Source of Funds	Finance Agreement Reference	Description of Covenants	Date Due	Recurrent	Frequency	Action
		Not Applicable (NA)				

34. **Conditions:** None

Source Of Fund	Name	Type
<b>Description of Condition:</b> Not Applicable		

**Risks**

Risk Category	Rating
1. Political and Governance	Substantial
2. Macroeconomic	Low
3. Sector Strategies and Policies	Moderate
4. Technical Design of Project or Program	Low
5. Institutional Capacity for Implementation and Sustainability	Moderate
6. Fiduciary	Moderate
7. Environment and Social	Low
8. Stakeholders	Low
9. Other	–
<b>OVERALL</b>	Moderate

**Finance**

**Loan Closing Date - Additional Financing ( Second Additional Financing to Public Procurement Reform Project II - P158783 )**

<b>Source of Fund</b>	<b>Proposed Additional Financing Loan Closing Date</b>
International Development Association (IDA)	30-Jun-2017

**Loan Closing Date(s) - Parent ( Public Procurement Reform Project II – P098146 )**

Explanation:

35. As the closing date of the second additional financing is June 30, 2017, the closing dates of the original and first additional credits are proposed to be extended for six months, that is, up to June 30, 2017, to complete all activities including commissioning of the new data center, continuation of the e-GP management and operation (M&O) contract, and completion of the MCIPS for the remaining batch.

<b>Ln/Cr/TF</b>	<b>Status</b>	<b>Original Closing Date</b>	<b>Current Closing Date</b>	<b>Proposed Closing Date</b>	<b>Previous Closing Date(s)</b>
IDA-43500	Effective	31-Mar-2013	31-Dec-2016	30-Jun-2017	30-Sep-2013, 31-Dec-2016
IDA-52420	Effective	31-Dec-2016	31-Dec-2016	30-Jun-2017	31-Dec-2016

**Change in Disbursement Estimates (including all Sources of Financing)**

Explanation:

36. Due to the extension and additional credits, the estimates will need to be adjusted.

**Expected Disbursements (in US\$, millions)(including all Sources of Financing)**

Fiscal Year	2017	
Annual	23.00	
Cumulative	23.00	

<b>Allocations - Additional Financing ( Second Additional Financing to Public Procurement Reform Project II - P158783 )</b>				
<b>Source of Fund</b>	<b>Currency</b>	<b>Category of Expenditure</b>	<b>Allocation</b>	<b>Disbursement %(Type Total)</b>
			<b>Proposed</b>	<b>Proposed</b>
IDA	USD	(1) Goods, works, non-consulting services, consultants' services, and training for Parts 1 and 3 of the project	10.00	100.00
		<b>Total:</b>	10.00	
<b>Components</b>				
<b>Change to Components and Cost</b>				
Explanation:				
<b>Change to components:</b>				
37. The current project has four components:				
<ul style="list-style-type: none"> <li>• Component 1: Furthering Policy Reform and Institutionalizing Capacity Development</li> <li>• Component 2: Strengthening Procurement Management at Sectoral Level and CPTU/IMED</li> <li>• Component 3: Introducing e-Government Procurement (e-GP)</li> <li>• Component 4: Communication, Behavioral Change, and Social Accountability</li> </ul>				
Of the four components, the proposed financing gap will affect two components as described below:				
<b>Component 1: Furthering Policy Reform and Institutionalizing Capacity Development (US\$3 million)</b>				
38. <b>Core competence and top-up master's program.</b> In the project, there is provision for international procurement accreditation of 125 participants in five cohorts with the CIPS, which offers MCIPS qualifications upon completion of the three levels: 4, 5, and 6. The CIPS, in collaboration with the BRACU-BIGD, conducts the CIPS course in Bangladesh. As of January 2016, Bangladesh has a total of 112 MCIPSs of which 68 participants also have master's in procurement and supply management. Total master's in procurement is 84 (68 from the BRACU-BIGD and 16 in sustainable procurement from the University of Turin, Italy). Of the 112 MCIPSs, 87 participants are from the public sector using IDA-financed project resources, with the remaining 25 from the private sector using their own resources. The Bangladesh University Grants Commission has granted this master's, largely based on the credits from MCIPSs, with				

few additional credits only including dissertations. All MCIPSs with master's, financed out of the IDA credit, are from the government agencies. Of them, over 50 percent are from the four target agencies of the project, with others mostly from the infrastructure/hard sector. As regard gender, female participants constitute about 8 percent.

39. The capacity-building activities including CIPS are conducted in line with the procurement strategy of the government that is captured in the procurement reform package, starting 2007. The CIPS qualifications with top-up master's along with the other capacity-building efforts are contributing substantially to achieving the PDO and improving procurement performance as reported with results/outcomes in the project paper. It has been clearly demonstrated that overall quality of procurement documents and/or evaluation reports in public sector agencies has improved compared to a few years back. Over time, the CIPS program is becoming increasingly sustainable with intakes from the private sector because of its huge potential and interest. By this time, the CIPS has established three learning centers in Bangladesh and has a CIPS Chapter as part of networking and knowledge sharing. Levels 4 and 5 costs of the cohort are included in the current contract with ongoing credit whereas there is a financing shortage for about 25 participants of the cohort 7 to cover: (a) level 6 of the CIPS and (b) associated top-up master's from the BRACU-BIGD. Level 6 of cohort 7 will be completed within the proposed credit closing of June 30, 2017.

40. **Institutional need and capacity development.** Recognizing the system enhancement and future sustainability of e-GP, the following provisions will be included: need assessment for the e-GP rollout and capacity development of public procurement entities, and part of training in e-GP as needed.

### **Component 3: Introducing e-Government Procurement (e-GP) (US\$9 million)**

41. **e-GP data center/mirror site and sustainability.** The e-GP system in Bangladesh is becoming increasingly self-sustainable over time with its own revenues that are coming mainly from three sources: registration fee of bidders, renewal fee, and online selling of bidding documents (earning forecast/actual - FY14: US\$0.55 million/US\$1.8 million; FY15: US\$0.95 million/US\$4 million; and FY16 (up to February 2016): US\$1.25 million/US\$4 million). Because of the very rapid technological advancement in the IT sector, after expiry of economic life, the e-GP system servers/hardware, like any other IT infrastructures, usually needs appropriate updating and/or major replacement in every five years or so. The existing data center is already over six years old. To cover the exponential growth of e-GP and meet the demand from nationwide public procurement entities, the data center needs replacement with a new data center of enhanced capacity. The ongoing project has provision for a data center/mirror site and is reflected in the procurement plan, but its estimated cost is much less (US\$500,000) than the current emerging requirement for a nationwide enhanced capacity data center (about US\$9 million) and, hence, the financing gap. Considering the imminent need, the CPTU initiated the procurement process of the new data center and its mirror site in a way that by 2016, the entire system is in place (the Bank already issued no objection to the bid evaluation report). The mirror site will be of the same capacity as the main data center. The bid evaluation report is now at the Bank's review stage. It will support a minimum of 325,000 registered users and 16,000 concurrent users with storage facilities of 8,600,000 tenders within three to four years. The data center will have state-of-the-art features with security for procurement transactions. The proposed data center architecture will

have flexibility to replace the equipment on a modular basis. Also, there will be technical support in strategy development for procurement authority and the e-GP corporatization, including further strengthening of the e-GP cell with IT professionals.

**42. The e-GP data center and its consistency with digital Bangladesh strategy.** Over the longer term, the GoB plans to have a centralized ICT framework and resources for all public sector organizations, located in the Bangladesh Computer Council (BCC). The Bank is also supporting this endeavor through an ICT project. Both the project teams, ICT and procurement reform, along with the CPTU and BCC, are actively working together on this issue of a centralized data center in the future. During the transition period, the proposed data center procurement of the CPTU is expected to be housed at the BCC and will be fully in synchronization with the above long-term vision. It is being well coordinated between the CPTU and BCC, including the two ministries (planning and ICT), and a technical team comprising members from the CPTU, BCC, and the Bank is working on that front. The total deployment plan of the new data center has taken into cognizance the current capacity/resources of the BCC along with its future expansion plan of a tier-4 data center.

**43. M&O of the e-GP system.** The current contract of the CPTU with the M&O firm will expire by December 31, 2016. In the current contract, the provision for transfer is in place, but to have safe transition, the current contract including a 24x7 help desk will require a six-month extension till June 2017. This six-month M&O contract with the existing firm will be entirely financed by the GoB. To strengthen the CPTU's in-house professional capacity in managing the e-GP data center with appropriate monitoring and ensure its smooth transition from the existing M&O firm to the Implementation Monitoring & Evaluation Division (IMED)/CPTU in mid-2017, the IMED, with IDA finance, will hire at least four key IT professionals in the e-GP cell by mid-2016 (application administrator, database administrator, system administrator, and call center manager).

### **Change to Costs**

44. The total cost estimated for the second additional financing is US\$12 million, with IDA's contribution of US\$10 million. The second additional financing will have one financing modality: direct input-based financing with no DLI payments. The GoB contribution of US\$2 million will be appropriately assigned in parallel to finance IDA exclusions, mainly for specifically identified trainings by the CPTU within Component 1. In addition, the GoB will cover from its own revenue budget six months M&O cost of the existing e-GP data center, that is, January to June 2017. Furthermore, the GoB will bear costs of allowances/honorarium for the proposed PPRPII AF2 credit period as IDA will not finance them.

45. Total cost estimate of the project is US\$72.90 million, of which US\$24.9 million is in PPRPII, US\$36 million is in PPRPII AF, and US\$12 million is in the proposed PPRPII AF2. Out of the US\$72.9 million, IDA will finance a total of US\$68.10 million of which US\$23.60 million is under PPRPII, US\$34.50 million is under PPRPII AF, and US\$10.00 million is in PPRPII AF2. e-GP's new data center's first-stage payment will be from the existing credit while the remaining will be from the PPRPII AF2. The PPRPII AF2 IDA finance includes US\$1 million in Component 1 and US\$9 million in Component 3. Component-wise costs are summarized in the

table below (the table includes GoB contributions for all components.).

<b>Current Component Name</b>	<b>Proposed Component Name</b>	<b>Current Cost (US\$, millions)</b>	<b>Proposed Cost (US\$, millions)</b>	<b>Action</b>
Component 1: Furthering Policy Reform and Institutionalizing Capacity Development	Component 1: Furthering Policy Reform and Institutionalizing Capacity Development	18.40	21.40	<b>Revised</b>
Component 2: Strengthening Procurement Management at Sector Level & CPTU/IMED	Component 2: Strengthening Procurement Management at Sector Level & CPTU/IMED	15.90	15.90	No change
Component 3: Introducing e-Government Procurement (e-GP)	Component 3: Introducing e-Government Procurement (e-GP)	21.20	30.20	<b>Revised</b>
Component 4: Communication, Behavioral Change, and Social Accountability	Component 4: Communication, Behavioral Change, and Social Accountability	5.40	5.40	No change
	<b>Total:</b>	60.90	72.90	

**Other Change(s)**

**Change in Implementation Schedule**

Explanation:

46. The implementation period is proposed to be extended by six months, that is, up to June 30, 2017, to complete the activities mainly relating to (a) procurement, installation, testing, commissioning, and functioning of the new data center and (b) remaining training with regard to level 6 of the CIPS and bidders/PEs e-GP training.

#### IV. Appraisal Summary

<b>Appraisal Summary</b>
<b>Economic and Financial Analysis</b>
<p>Explanation:</p> <p>47. At the outset of the PPRPII and PPRPII AF, it was envisioned that the sustainable transformation change will transpire in the procurement environment of Bangladesh and as such benefits cannot be fully quantified in monetary terms, no calculation of economic rate of return has been attempted. To have the monetary outcome with regard to the e-GP component perspective, a financing model was developed for the e-GP system in a way that the system will be fully operated using its own (GoB) revenues toward the end of the project. This is based only on the transaction level of the four target agencies, without including additional agencies. The model shows revenues of US\$1.25 million in the third year, against expenditures of US\$1.43 million, meaning that the earnings and expenditures will be close to each other within the third year of its operation.</p> <p>48. Now, the e-GP system is generating revenues exceeding the target as estimated in the business model and subsequently, it has started flagging the footprint of becoming a self-sustainable system. It was anticipated in the fourth year, that is, 2016, the system will have earnings more than expenditures. The result shows that the e-GP system earned over US\$4 million in FY15 and about US\$4 million in FY16 (till February 2016). Concurrently, on the capacity development front, the explicit endeavor of the two local institutes is increasingly leading to greater institutionalization and self-sustainability of the government's efforts by conducting different types of short courses on procurement utilizing their own resources, beyond the project financing (ESCB and Bangladesh Institute of Management). As of November 2015, beyond the provisions of project training, the ESCB with its own resources provided 59 short courses on procurement, mostly one–three days in duration, of which 41 courses include e-GP.</p>
<b>Technical Analysis</b>
<p>Explanation:</p> <p>49. The technical design is sound. There is no change in the technical design, except the replacement of the existing e-GP data center with a substantially high-capacity data center. The new main data center is expected to be housed at the BCC, instead of the CPTU, while the mirror site will be at the CPTU. This is consistent with the GoB future plan to make the BCC as the national data center for all public sector organizations in a few years. Substantial progress has been made and the tier-3 data center design has been validated by a high-level technical team. Recognizing the exponential growth of e-GP, a projection has been made up to 2020 that shows that the number of public sector organizations entering into e-GP will increase by about 12 times, PEs by about 10 times, tender invitations by about 33 times, tenderer by 8 times, and actual transactions/tender submissions by over 40 times. This translates to the total usable storage capacity requirement of about 200 TB, with usable file server storage capacity increase by about 180 times and database storage capacity by about 85 times. Special attention was given regarding how a sound and latest technology-based data center is established. Several reputed suppliers</p>

have submitted bids for the package that is currently under evaluation.

### **Monitoring and Evaluation of Outcomes/Results**

50. Project outcomes/results will continue to be measured using the existing results framework with indicators. The CPTU will continue to use the existing monitoring and evaluation (M&E) framework used for the ongoing project, with adjusted indicators as agreed (Annex 1). The existing M&E consulting firm will continue to assist the CPTU and prepare semiannual reports on the overall project M&E, including progress on the results indicators for review by the Bank.

### **Social Analysis**

Explanation:

51. There is no substantial change in the social aspects of the project design, which is firmly grounded in terms of citizen engagement and has clearly started showing positive change. The project has a dedicated component on social accountability and citizen engagement, which is being further strengthened in its implementation through a series of activities that, among others, include the Public-Private Stakeholders Committee (PPSC); government-contractors forums; and public procurement accountability with possible third-party monitoring by engagement of citizen/beneficiary group on a pilot basis in two districts covering four sub-districts. This citizen engagement approach with an extensive communication campaign has generated deep interest in the community to take the reforms to the grassroots level and is concurrently making the public procurement officials accountable to the citizens.

### **Gender**

52. The project has been contributing positively to gender inclusion issues. The e-GP component specially created opportunities for the computer-literate female workforce for working at the computer cafes and/or data processing specifically in reference to the bidding community, in addition to the female workforce at the PE level. Furthermore, the capacity development program under the project has provided considerable opportunity to the gender aspects and evidence has shown increased level of participation of the female candidates over time.

### **Environmental Analysis**

Explanation:

53. The original category “C” is retained for environment as there is no change. The interventions of the additional financing are similar to those under the original project and are not expected to have considerable environmental impact. The bidding documents generally include occupational health and safety for the workers as appropriate for the respective bidding. The earlier additional financing had provision to support vertical extension of the CPTU building.

### **Climate Change**

54. The climate change effects on the project have been screened using the climate change risk tool. All its elements were considered, that is, extreme precipitation and flooding, rise in sea level, strong winds, and earthquake. The overall climate risk is rated as Low, with no significant impact.

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## Risk

### Explanation:

55. There is no additional activity beyond the original project. As of now, the PDO, implementation progress, and project management have been rated Satisfactory. The current end-of-project targets have either been mostly met or exceeded for all four PDO-level indicators. As such, it is unlikely that the project risks will change. At this stage, the overall project risk is rated as Moderate, with no major risk that could jeopardize the achievement of the PDOs. The political and governance risk is rated Substantial mainly because of strong views in political context that may affect sectoral operations leading to slowing down the project activities to some extent. This risk will be mitigated through coordination with the policy ministries and continuous engagement/dialogue with local authorities and entities. The existing Public-Private Stakeholders Committee and Government-Contractors forum combined with citizen engagement activities are expected to play a critical role in building a constituency for reform. The detailed project risks are in Annex 2. The Governance and Accountability Action Plan of the original Credit will remain unchanged.

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## Fiduciary

### Financial Management

56. **Financing.** The project will have one financing modality, that is, direct input-based financing for the CPTU. The proposed IDA second additional financing is provided under one disbursement category as indicated earlier.

57. The CPTU will maintain a separate Designated Account for the credit. Similarly, the CPTU will maintain separate books of accounts to account for and report on receipts and payments of PPRPII AF2. A separate set of interim unaudited financial reports will be prepared and submitted to the Bank in the format agreed during the original input-based financing project, within 45 days from the end of each quarter. PPRPII AF2 will continue to follow report-based disbursements and initial advances will be made to the Designated Account based on financial projections to be prepared by the CPTU for the next two quarters during implementation of the project. There will be no incremental operating costs from the PPRPII AF2; rather, the existing credit will be charged for all incremental operating costs. The project will submit ‘Designated Account Reconciliation Statement’ to show the receipts, payments, expenses, and balances of both the credits separately. There is no pending audit report and the external audit arrangements will be the same as the existing credit and the internal audit plan will cover PPRPII AF2 as well.

58. **FM risks.** Overall FM risk is assessed as Substantial considering capacity constraints in FM staffing, which is being addressed by hiring the FM consultant (selection at final stage). Internal audit is being carried out, which will strengthen the system and reduce the project implementation

risk.

## **Procurement**

59. **Overall procurement.** Procurement under the proposed PPRPII AF2 will mainly involve few contracts. Key contracts include the new e-GP data center; CIPS level 6 of the last batch (cohort 7) with top-up master's; strategic framework for the CPTU and e-GP; need assessment of the e-GP rollout and training; hiring of few IT professionals; and part of the e-GP training (multiple packages). The CIPS contract for level 6 of cohort 7 will be on a single-source basis as it is a natural continuation of their existing contract. The procurement of the data center is now at the contracting stage, after the Bank issued no objection to the bid evaluation report recently.

60. **Procurement risks and mitigation measures.** The procurement arrangement will remain unchanged except necessary adjustments in the procurement plan to reflect the changes. Given the nature of the project and based on the procurement capacity assessment, the project risk is Low from the procurement operation and contract administration viewpoint. Based on the current risks, the CPTU should continue the existing mitigation measures, for example, handling procurement by designated procurement officials and improvement of record keeping.

61. **Procurement plan.** A draft procurement plan for the proposed PPRPII AF2 has been prepared and is attached. This plan, as necessary, will be updated to reflect the latest circumstances.

62. **Training.** "Training" refers to 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. This revised definition of training will be applicable only for the PPRPII AF2.

## **V. World Bank Grievance Redress**

63. Communities and individuals who believe that they are adversely affected by a Bank-supported project may submit complaints to existing project-level grievance redress mechanisms or the Bank's Grievance Redress Service (GRS). The GRS ensures that complaints received are promptly reviewed to address project-related concerns. Project-affected communities and individuals may submit their complaint to the Bank's independent Inspection Panel, which determines whether harm occurred, or could occur, as a result of Bank noncompliance with its policies and procedures. Complaints may be submitted at any time after concerns have been brought directly to the Bank's attention, and Bank Management has been given an opportunity to respond. For information on how to submit complaints to the Bank's corporate GRS, please visit <http://www.worldbank.org/GRS>. For information on how to submit complaints to the Bank Inspection Panel, please visit [www.inspectionpanel.org](http://www.inspectionpanel.org).

## Annex 1: Revised Results Framework and Monitoring Indicators

### BANGLADESH: Second Additional Financing to Public Procurement Reform Project II

#### Project Development Objectives

Original Project Development Objective - Parent:

The Project Development Objective (PDO) is to improve performance of the public procurement system progressively in Bangladesh, focusing largely on the target agencies. The PDO would be achieved by strengthening the ongoing reform process and moving it further along with the following outputs: (i) enhanced capacity in creating a sustained program to develop skilled procurement professionals, (ii) strengthened management and monitoring of procurement in target agencies, (iii) introduction of e-government procurement in CPTU and the target agencies on a pilot basis, and (iv) creation of greater public awareness of a well-functioning public procurement system by engaging civil society, think tanks, beneficiaries, and the private sector. All these actions are key elements in effective implementation of the procurement law/ regulations.

Proposed Project Development Objective - Additional Financing (AF):

#### Results

Core sector indicators are considered: Yes

Results reporting level: Project Level

#### Project Development Objective Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual (Current)	End Target
Revised	Percentage of contracts awarded within initial bid validity period by the 4 target agencies (2013-68%, 2014-73%, 2015-78%, 2016-80%)	<input type="checkbox"/>	Text	Value	10% of overall contracts, with approval authority from district level up to the cabinet committee level (highest approving authority).	81%	82%
				Date	31-Dec-2007	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 80% to 82% due to the credit closing extension

							for six months.
Revised	Four target agencies publish PROMIS quarterly report for monitoring of procurement performance covering 90% of bids invited/ contracts awarded annually (2013-20%, 2014-50%, 2015-70%, 2016-90%)	<input type="checkbox"/>	Text	Value	5%	90%	95%
				Date	31-Dec-2012	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 90% to 95%
Revised	Four target agencies expand electronic government procurement (e-GP) to all 64 districts using national competitive bidding procurement (2013- 10%, 2014- 35%, 2014- 60%, 2016- 80%)	<input type="checkbox"/>	Text	Value	3%	262%	83%
				Date	31-Dec-2012	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 80% to 83%. In PPRPII AF, this e-GP indicator has been measured with an estimated baseline of 9,350 bid invitations as mentioned in the PAD. In future under PPRPII AF2, for better clarity, the e-GP indicator measurement methodology

							y will be adjusted based on the total number of bid invitations each year (manual and e-GP) vs. invitations in e-GP.
Revised	Percentage of procuring entities of 20 additional agencies with one trained/ certified procurement staff (2013- 10%, 2014- 30%, 2015 - 50%, 2016- 70%)	<input type="checkbox"/>	Text	Value	2%	75%	78%
				Date	31-Dec-2012	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 70% to 78%.
New	Number of public sector organizations registered in the e-GP system	<input type="checkbox"/>	Number	Value	98.00		200.00
				Date	31-Dec-2015		30-Jun-2017
				Comment			

### Intermediate Results Indicators

Status	Indicator Name	Core	Unit of Measure		Baseline	Actual(Current)	End Target
No Change	Expanding Government-contractors forum to all districts and holding semi-annual meetings (2013- 10, 2014- 20, 2015- 40, 2016- 64)	<input type="checkbox"/>	Number	Value		16.00	64.00
				Date	31-Dec-2007	31-Oct-2015	31-Dec-2016
				Comment			
Revised	Percentage of contract awards published by four target	<input type="checkbox"/>	Text	Value	10% contracts published in CPTU's website (overall of four	85%	91%

	agencies in CPTU's website for awards above PPR specified threshold (2013-75%, 2014-80%, 2015-85%, 2016-90%))				agencies)		
				Date	31-Dec-2007	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 90% to 91%
Revised	Percentage of procuring entities of 20 additional agencies with one trained/ certified procurement staff (2013-10%, 2014-30%, 2015-50%, 2016-70%)	<input type="checkbox"/>	Text	Value	0	75%	78%
				Date	31-Jul-2013	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 70% to 78%
No Change	Number of weeks of procurement training delivered by local training institute (ESCB) with its own fund/ resources outside of PPRPIAF (2013- 5, 2014-25, 2015- 45, 2016- 55)	<input type="checkbox"/>	Text	Value	0	43	55
				Date	31-Jul-2013	31-Oct-2015	31-Dec-2016
				Comment			
Revised	Percentage of complaints handled satisfactorily by four target agencies (2013-35%, 2014-45%, 2015-55%, 2016-70%)	<input type="checkbox"/>	Text	Value	5%	60%	72%
				Date	31-Dec-2007	31-Oct-2015	30-Jun-2017
				Comment			End target changed from 70% to 72%
Revised	Four target	<input type="checkbox"/>	Text	Value	5%	90%	95%

	agencies publish PROMIS quarterly report covering 90% of bids invited/ contracts awarded (2013-20%, 2014-50%, 2015-70%, 2016-90%)			Date	31-Dec-2012	31-Oct-2015	30-Jun-2017
				Comment			End target changed from 90% to 95%
Revised	Percentage of contract/ bid invited through e-GP by four target agencies using NCB in 64 districts (2013-10%, 2014-35%, 2015-60%, 2016-80%)	<input type="checkbox"/>	Text	Value	3%	262%	83%
				Date	31-Dec-2012	31-Oct-2015	30-Jun-2017
				Comment			End target increased from 80% to 83%. For better clarity, in PPRPII AF2, the e-GP indicator measurement methodology will be adjusted based on the total number of bid invitations each year (manual and e-GP) vs. invitations in e-GP.
No Change	Number of e-GP awareness workshops in all districts (2013-10, 2014- 20, 2015- 45, 2016-64)	<input type="checkbox"/>	Text	Value	0	19	64
				Date	31-Dec-2012	31-Oct-2015	31-Dec-2016
				Comment			
Revised	Number of	<input type="checkbox"/>	Text	Value	6	6	22

Public-Private Stakeholders Committee (PPSC) workshops/ meetings held (2013- 10, 2014- 14, 2015- 18, 2016- 22)		Date	31-Dec-2012	31-Oct-2015	30-Jun-2017
		Comment			

## Revised Project Results Framework

PDO: Improve performance of the public procurement system progressively in Bangladesh, focusing largely on the target agencies													
PDO Level Results Indicators <sup>1</sup>	Core	UOM <sup>2</sup>	Baseline Original Project (2007)	Progress (2012) <sup>3</sup>	Cumulative Target Values <sup>4</sup>					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Progress (up to November 2015)/ Comments
					2013	2014	2015	2016	2017				
1. Percentage of contracts awarded within initial bid validity period by the four target agencies	<input type="checkbox"/>	%	10	65	68	73	78	80	82	Quarterly	Target agencies/ CPTU/M&E report	Target agencies/CPTU and M&E consultant	81%
2. The four target agencies publish PROMIS quarterly report for monitoring of procurement performance covering 90% of bids invited/contracts awarded annually		%	0	5	20	50	70	90	95	Quarterly	Target agencies/ PROMIS report	Target agencies/independent consultant	90%
3. The four target agencies expand e-GP to all 64 districts using NCB procurement	<input type="checkbox"/>	%	0	3	10	35	60	80	83	Quarterly	Target agencies/ independent consultant report	Target agencies/ independent consultant	262% (Measurement methodology will be adjusted based on total bid invitations each year, instead of 9,350 as in original PAD.)
4. Percentage of PEs of 20 additional agencies with one trained/certified procurement staff		%	0	2	10	30	50	70	78	Quarterly	Additional agencies/cap development consultant's report	Additional agencies/capacity development consultant	75%
5. Number of public sector agencies registered in the e-GP system		Number	0	–	–	–	98	130	200	Quarterly	CPTU/reports	CPTU	New indicator

<sup>1</sup> Please indicate whether the indicator is a Core Sector Indicator (for additional guidance, please see <http://coreindicators>).

<sup>2</sup> UOM = Unit of Measurement.

<sup>3</sup> For new indicators introduced as part of the additional financing, the progress to date column is used to reflect the baseline value.

<sup>4</sup> Target values should be entered for the years data will be available, not necessarily annually. Target values should normally be cumulative. If targets refer to annual values, please indicate this in the indicator name and in the “Comments” column.

Intermediate Results and Indicators													
Intermediate Results Indicators	Core	UOM	Baseline Original Project Start (2007)	Progress To Date (2012)	Target Values					Frequency	Data Source/ Methodology	Responsibility for Data Collection	Progress/ Comments
					2013	2014	2015	2016	2017				
<b>Intermediate Result 1:</b> Capacity development program institutionalized locally and target agencies develop skilled procurement professionals													
1. Percentage of PEs of 20 additional agencies with one trained/certified procurement staff		%	–	0	10	30	50	70	78	Quarterly	Four target agencies/reports	Four target agencies and capacity development consultant	75%
2. Number of weeks of procurement training delivered by local training institute (ESCB) with its own fund/resources outside of PPRPII AF		Number	0	2	5	25	45	55	55	Quarterly	ESCB/capacity development consultant reports	ESCB and capacity development consultant	43
<b>Intermediate Result 2:</b> Target agencies manage and monitor their procurement at all levels to improve sectoral objectives													
3. Percentage of contract awards published by the four target agencies in the CPTU's website for awards above Public Procurement Rules 2008 specified threshold		%	10	70	75	80	85	90	91	Quarterly	CPTU, four target agencies/reports	CPTU, four target agencies	85%
4. Percentage of complaints handled satisfactorily by the four target agencies		%	5	25	35	45	55	70	72	Quarterly	Four target agencies/reports	Four target agencies/implementation consultant	60%
5. The four target agencies publish PROMIS quarterly report covering 90% of bids invited/contracts awarded		%	–	5	20	50	70	90	95	Quarterly	Four agencies/reports	Four target agencies and independent consultant	90% (Total contracts: 9,350)
<b>Intermediate Result 3:</b> Four target agencies fully introduce electronic government procurement (e-GP) in NCB													
6. Percentage of contract/bid invited through e-GP by the four target agencies using NCB in 64 districts	<input type="checkbox"/>	%	0	3	10	35	60	80	83	Quarterly	Four target agencies/reports	Four target agencies and independent consultant	262% (9,350 invitations) - Measurement methodology will be adjusted

<b>Intermediate Result 4: Stakeholder engagement in following procurement issues increased</b>													
7. Expanding government-contractors forums to all districts and holding semi-annual meetings		Number	0	5	10	20	40	64	64	Semiannual	Social accountability consultant/reports	Social accountability consultant	16 achieved (32 up to April 2016)
8. Number of e-GP awareness workshops held in all districts scoped		Number	–	0	10	20	45	64	64	Quarterly	Social accountability consultant/reports	Social accountability consultant	19 achieved (37 up to April 2016)
9. Number of PPSC workshops/meetings held		Number	–	6	7	10	12	14	22	Quarterly	BRACU-IGS report	BRACU-IGS	6 achieved (8 up to April 2016)

## Annex 2: Systematic Operations Risk-Rating Tool

### BANGLADESH: Second Additional Financing to Public Procurement Reform Project II

1. The matrix describes the rationale for the proposed rating for each risk and the mitigation plans.

<b>1. Political and Governance</b>	<b>Rating</b>	<b>Substantial</b>
<b>Description</b>	<b>Risk Management</b>	
(a) The risk of strong views in political context may affect sectoral operations leading to slowing down the project activities to some extent.	(a) Coordination with the policy ministries and continuous engagement/dialogue with local authorities and entities will be needed.	
(b) There is frequent tendency to bring in amendments to the world-class public procurement law of the country that are inconsistent with the international good procurement practices.	(b) The CPTU has to keep constant liaison with policy ministries like the Ministry of Planning/Ministry of Finance to make them aware of the importance of the global standard country system to attain the development objectives and continuous engagement with development partners.	
(c) Any incidence of inappropriate practices in the procurement arena may cause reputational risk in evolving the foundation of the overall governance framework.	(c) The proper implementation of e-GP with performance measurement will reduce the risk substantially. Already many data are disclosed in e-GP, like contract award information and performance indicator reports, which demonstrates consistency with international good practices. In future, open contracting will also be looked into as part of the citizen portal. Moreover, the civic engagement component with close monitoring from agencies' headquarters needs to be strengthened using the procurement performance measurement tools.	
<b>2. Macroeconomic</b>	<b>Rating</b>	<b>Low</b>
<b>Description</b>	<b>Risk Management</b>	
(a) Macroeconomic policies in Bangladesh are generally considered to be well managed, as reflected in the sustained gross domestic product growth rates and low fiscal deficits over the past decade. Revenue mobilization is poor due to the small tax base covered, and productivity of public investments could be enhanced.	(a) The Bank is supporting interventions in an ongoing project (value-added tax modernization) and providing advisory services to improve revenue mobilization, public financial management, and quality of investment, among other things.	
<b>3. Sector strategies and policies</b>	<b>Rating</b>	<b>Moderate</b>
<b>Description</b>	<b>Risk Management</b>	
(a) Procurement reform requires cross-cutting functional support from overall sectoral strategies and policies. The application of existing procurement policies and strategies had faced lack of harmonized endeavor by the line ministries.	(a) Sustained engagement in capacity building and development of the information database	

<b>4. Technical design of project or program</b>	<b>Rating</b>	<b>Low</b>
<b>Description</b>	<b>Risk Management</b>	
(b) The technical design risk is considered to be Low as the project has already attained all key PDOs. In the context of technical design, the proposed tier-3 data center has been validated by the technical team and that has been well accepted by the competitive bidders before submitting their bids.	(a) The CPTU will ensure procurement of appropriate package for the data centre, validated by a high-level technical team to ensure its consistency with the GoB's digital strategy and proper coordination with the BCC.	
<b>5. Institutional capacity for implementation and sustainability</b>	<b>Rating</b>	<b>Moderate</b>
<b>Description</b>	<b>Risk Management</b>	
(a) <i>Challenging coordination mechanism.</i> Constrained capacity of the CPTU in coordinating the capacity development component in light of the additional agencies involved (about 20), beyond the existing four target agencies  (b) <i>Skilled IT manpower constraint.</i> The sharp growth of the e-GP implementation has accentuated the capacity issue of client (CPTU) and other target agencies. To manage e-GP centrally with adequate hardware including skilled manpower and a 24x7 help desk, the current setup is grossly inadequate.	(a) The CPTU will continue to utilize the capacity of the consulting firm and continuous engagement with the focal persons of the additional agencies. The persons trained on procurement for three weeks need to be retained in the procurement unit of the respective agencies.  (b) The CPTU has started its institutional transformation by developing an authority to oversee the regulatory functions with proper autonomy. The e-GP function will be implemented through the corporatization model with the strengthening of staffing including high-level IT professionals.	
<b>6. Fiduciary</b>	<b>Rating</b>	<b>Moderate</b>
<b>Description</b>	<b>Risk Management</b>	
(a) The planned procurement packages (large and small) have already been completed. Procurement and establishment of the data center with proper synchronization with the BCC for housing the system has some moderate risk element.  (b) As regards financial management, there is capacity constraints in staffing with the departure of the FM consultant and needs strengthening of internal audit.	(a) The management of the contract will require close monitoring to attain the outcome with expected objectives. The large procurement of the data center has a time-bound plan, which needs to be monitored by the CPTU. Close coordination with the BCC is essential.  (b) The selection of a new FM consultant is at the final stage (contracting). Internal audit already started which will strengthen the system to reduce implementation risks.	
<b>7. Environment and social</b>	<b>Rating</b>	<b>Low</b>
<b>Description</b>	<b>Risk Management</b>	
(a) This is a category C project involving reform without having any major social and environmental impact. The minimum civil construction relating to the CPTU building vertical extension is within the existing planning ministries campus, thereby having no major impact.	(a) The bidding document will include an Environmental Code of Practice, including proper occupational health and safety guidelines for the workers. The Public Works Department continues to supervise the construction including the environmental and safety provision.	

<b>8. Stakeholders</b>	<b>Rating</b>	<b>Low</b>
<b>Description</b>	<b>Risk Management</b>	
(a) The potential engagement of different stakeholders for rolling out e-GP in district and sub-district levels and commitment from the policymaker of the target agencies has brought down the risk element to a low level. The new stakeholder, the BCC, needs to be dealt with professional understanding within the government framework.	(a) Component 4 of the project has a clear strategy for managing stakeholder risks and most of its activities are continuing as planned. The core groups of each target agency are expected to play critical mitigating roles in exposing detractors and building the constituency for fast e-GP implementation. Under the communication component, the social awareness workshop, the continued engagement of government-bidders forums, and the PPSC will help to mitigate the risk. The e-GP itself has created a huge demand in the bidding community, which itself is having positive impacts.	
<b>9. Overall</b>	<b>Rating</b>	<b>Moderate</b>
<b>Description</b>	<b>Risk Management</b>	
(a) The overall risk of the project pertains to the continued support from key policymakers to retain the existing procurement legal framework at the agreed international standard. The institutional capacity for implementation and sustainability will be largely dependent on the capacity of the CPTU with adequate skilled professionals to extend the support of managing the rollout of e-GP throughout the country.	(a) Close monitoring of the above actions will need to be undertaken in a way that the legal framework is maintained appropriately and capacity development is sustained.	

### Annex 3: Procurement Plan

## BANGLADESH: Second Additional Financing of Public Procurement Reform Project II

### Procurement Packages \*

Contract Package Number	Contract Description	Unit	Quantity/ Number	Estimated Price in US\$, Thousands	Procedure/Method	Prior Review (Yes/No)
<b>Goods</b>						
G-53	Bangladesh e-GP: Supply, installation, and commissioning of new data center at the CPTU and mirror data center at the BCC	Lot	1	7,500	International Competitive Bidding	Yes
<b>Consultancy Services</b>						
S-89 (AF2)	Capacity development: Procurement of core competence program (level 6 of cohort 7)	Month	6	400	Single-Source Selection	Yes
S-90 (AF2)	Need assessment of e-GP rollout and capacity development and its utilization	LS	LS	500	Quality- and Cost-Based Selection	Yes
S-91 (AF2)	Developing strategic framework for regulatory authority of public procurement and self-sustainable e-GP operations	LS	LS	900	Quality-Based Selection	Yes
S-92 (AF2)	Engagement of four individual consultants (that is, database administrator, system administrator, application administrator, and call center manager)	PM	48	250	Individual consultant	Yes
S-93 (AF2)	e-GP training (part) (Multiple packages)	LS	LS	400	Single-Source Selection	Yes
<b>TOTAL</b>				<b>9,950</b>		

Note: LS = Lump Sum; PM = Person-Month.

\*: Procurement Plan will be updated as needed.