
LOAN NUMBER 2232-BAN(SF)

TECHNICAL ASSISTANCE LOAN AGREEMENT
(Special Operations)

(Improvement of Capital Market and Insurance Governance Project)

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

ASIAN DEVELOPMENT BANK

DATED 7 FEBRUARY 2007

LAS:BAN 36197

TECHNICAL ASSISTANCE LOAN AGREEMENT (Special Operations)

TECHNICAL ASSISTANCE LOAN AGREEMENT dated 7 February 2007 between PEOPLE'S REPUBLIC OF BANGLADESH (the "Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Borrower has applied to ADB for a loan for the purposes of the Improvement of Capital Market and Insurance Governance Project described in Schedule 1 to this Loan Agreement (hereinafter called the Project); and

(B) ADB has agreed to make a loan to the Borrower from ADB's Special Funds resources upon the terms and conditions hereinafter set forth;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Loan Regulations; Definitions

Section 1.01. All provisions of the Special Operations Loan Regulations of ADB, dated 1 May 2004 (the "Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. The definitions set forth in the Loan Regulations are applicable to this Loan Agreement unless the context requires otherwise. In addition, the following terms have the following meanings:

(a) "CSE" means the Chittagong Stock Exchange Limited, and includes any successor thereto;

(b) "Component" means a reference to a component of the Project as more particularly described in Schedule 1 hereto;

(c) "DSE" means the Dhaka Stock Exchange Limited, and includes any successor thereto;

(d) "ICB" means the Investment Corporation of Bangladesh, established pursuant to the Investment Corporation of Bangladesh Ordinance 1976, (Ordinance No. XL of 1976) and includes any successor thereto;

(e) "MOF" means the Ministry of Finance of the Borrower, and includes any successor thereto;

(f) "MOF-FD" means the Finance Division of the MOF, and includes any successor thereto;

(g) "OCCI" means the Office of the Chief Controller of Insurance of the Ministry of Commerce of the Borrower, and includes any successor thereto;

(h) "PIU" or "Project Implementation Unit" means the Project Implementation Unit as more particularly described in paragraph 3 of Schedule 6 hereto;

(i) "PMU" or "Project Management Unit" means the Project management unit as more particularly described in paragraph 1 of Schedule 6 hereto;

(j) "Part" means a reference to a part of the Project as more particularly described in Schedule 1 hereto;

(k) "Project Executing Agency" means, for the purposes and within the meaning of the Loan Regulations, MOF-FD which is responsible for the carrying out of the Project;

(l) "Project facilities" means the equipment, materials, and facilities to be provided under the Project;

(m) "Project Implementing Agency" means either SEC, ICB, or OCCI, or collectively means all three, which are individually responsible for implementing their respective Parts or Components of the Project, as referred to in paragraph 2 of Schedule 6 hereto; and

(n) "SEC" means the Securities and Exchange Commission of the Borrower, established under the Securities and Exchange Commission Act 1993 (Act No. 15 of 1993) and includes any successor thereto.

ARTICLE II

The Loan

Section 2.01. ADB agrees to lend to the Borrower from ADB's Special Funds resources an amount in various currencies equivalent to two million one hundred three thousand Special Drawing Rights (SDR2,103,000).

Section 2.02. (a) The Borrower shall pay to ADB an interest charge at the rate of one percent (1%) per annum during the grace period, and one and one-half percent (1.5%) per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

(b) The term "grace period" as used in paragraph (a) of this Section means the period prior to payment of the first principal amount of the Loan on the payment date in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 1 January and 1 July in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 2 to this Loan Agreement.

ARTICLE III

Use of Proceeds of the Loan

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The goods and services and other items of expenditure to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan among different categories of such goods and services and other items of expenditure shall be in accordance with the provisions of Schedule 3 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, all goods and services to be financed out of the proceeds of the Loan shall be procured in accordance with the provisions of Schedule 4 and Schedule 5 to this Loan Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of goods and services shall be made only on account of expenditures relating to

- (a) goods which are produced in and supplied from and services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) goods and services which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 30 June 2008 or such other date as may from time to time be agreed between the Borrower and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 6 to this Loan Agreement.

Section 4.02. (a) The Borrower shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Loan proceeds and compliance with the financial covenants of this Loan Agreement as well as on the use of the procedures for imprest account/statement of expenditures), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Borrower shall enable ADB, upon ADB's request, to discuss the Borrower's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Borrower pursuant to Section 4.02(a) hereabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion shall be conducted only in the presence of an authorized officer of the Borrower unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the goods financed out of the proceeds of the Loan, and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the Borrower shall have established and appointed key staff to the PMU and the three PIUs.

Section 5.02. A date ninety (90) days after the date of this Loan Agreement is specified for the effectiveness of the Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

ARTICLE VI**Miscellaneous**

Section 6.01. The Secretary, or any Additional Secretary, Joint Secretary/Joint Chief, Deputy Secretary/Deputy Chief, Senior Assistant Secretary/ Senior Assistant Chief, Assistant Secretary/Assistant Chief of Economic Relations Division, MOF is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

For the Borrower

Economic Relations Division
Ministry of Finance
Government of the People's Republic of Bangladesh
Sher-e-Bangla Nagar
Dhaka 1207
Bangladesh

Cable Address:

BAHISAMPAD
DHAKA

Telex Number:

642226 SETU BJ

Facsimile Number:

+880 2 811 3088

For ADB

Asian Development Bank
P.O. Box 789
0980 Manila, Philippines

Cable Address:

ASIANBANK
MANILA

Telex Numbers:

29066 ADB PH (RCA)
42205 ADB PM (ITT)
63587 ADB PN (ETPI)

Facsimile Numbers:

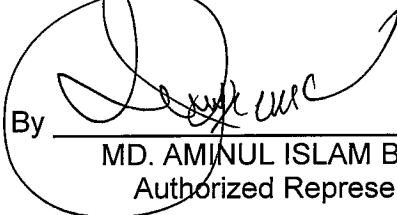
+63 2 636 2444

+63 2 636 2337.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names and to be delivered at the principal office of ADB, as of the day and year first above written.

PEOPLE'S REPUBLIC OF
BANGLADESH

By


MD. AMINUL ISLAM BHUIYAN
Authorized Representative

ASIAN DEVELOPMENT BANK

By


HUA DU
Country Director
Bangladesh Resident Mission

SCHEDULE 1

Description of the Project

1. The objective of the Project is to assist the Borrower to improve governance, efficiency and investor confidence in capital market and insurance sector through provision of technical advice and resources.
2. The Project consists of the following Parts:

Part 1. Enhancement of Governance and Capacity of the Capital Market

Component 1. SEC Support.

- (i) Installing and operating an online capital market surveillance system; and
- (ii) Building capacity of SEC through training and other capacity building programs, provide overseas secondment opportunities, establish an in-house training unit and conduct a risk management review.

Component 2. Stock Exchanges Support.

- (i) Enhancing the capacity of management and governance of CSE and DSE through training of CSE and DSE staff to effectively and efficiently conduct operations pursuant to international standards; and
- (ii) Introducing various accepted trading mechanisms, determine appropriate incentives, review current listing rules and pricing practices at initial public offering process, assist the authorities to shift to alternative pricing methods to increase demand and supply of securities and to facilitate the increase of securities transactions, and review and strengthen the Securities and Exchange Commission (Substantial Acquisition, Takeover and Merger) Rule.

Component 3. Enhancing Capacity and Operating Standards of Market Intermediaries.

- (i) Conducting a review of the licensing regime for market intermediaries and establish a testing system for licensing;
- (ii) Establishing a national capital market institute for the development of a full spectrum of market professionals; and
- (iii) Developing a financial market awareness and training program for potential women investors and women-run organizations with a potential role in financial markets.

Component 4. Enhancement of Governance and Capacity of ICB.

- (i) Reviewing the accounting and audit standards and management practices of ICB and its subsidiaries and affiliates, and assist with the adoption of international best practices; and
- (ii) Providing capacity building support to ICB and its subsidiaries in areas of weak corporate governance as identified during the consultative process with ICB and other stakeholders.

Part 2. Enhancement of Governance and Capacity of the Insurance Sector

- (i) Undertaking a capacity building program for the key staff of OCCI;
- (ii) Assisting the new regulatory authority to draft implementing regulations under the proposed insurance-related legislation (Insurance Regulatory Authority Act, Insurance Act, and Takaful (Islamic Insurance) Act) when enacted;
- (iii) Undertaking an analytical study and formulate a development plan to deal with any impact from the proposed legislation and implementing regulations on the state-owned insurance corporations;
- (iv) Updating mortality tables in use for life insurance, review the current premium levels for life insurance and general insurance, and provide appropriate statistical databases for life insurance and general insurance; and
- (v) Developing necessary automation and a management information system for OCCI.

3. The Project also includes provision of consulting services, and is expected to be completed by 31 December 2007.

SCHEDULE 2**Amortization Schedule****(Improvement of Capital Market and Insurance Governance Project)**

<u>Date Payment Due</u>			<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01 July	2014		43,813
01 January	2015		43,813
01 July	2015		43,813
01 January	2016		43,813
01 July	2016		43,813
01 January	2017		43,813
01 July	2017		43,813
01 January	2018		43,813
01 July	2018		43,813
01 January	2019		43,813
01 July	2019		43,813
01 January	2020		43,813
01 July	2020		43,813
01 January	2021		43,813
01 July	2021		43,813
01 January	2022		43,813
01 July	2022		43,813
01 January	2023		43,813
01 July	2023		43,813
01 January	2024		43,813
01 July	2024		43,813
01 January	2025		43,813
01 July	2025		43,813
01 January	2026		43,813
01 July	2026		43,813
01 January	2027		43,813
01 July	2027		43,813
01 January	2028		43,813
01 July	2028		43,813
01 January	2029		43,813
01 July	2029		43,813
01 January	2030		43,813
01 July	2030		43,813

* The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

Schedule 2

<u>Date Payment Due</u>			<u>Payment of Principal</u> (expressed in Special Drawing Rights)*
01	January	2031	43,813
01	July	2031	43,813
01	January	2032	43,813
01	July	2032	43,813
01	January	2033	43,813
01	July	2033	43,813
01	January	2034	43,813
01	July	2034	43,813
01	January	2035	43,813
01	July	2035	43,813
01	January	2036	43,813
01	July	2036	43,813
01	January	2037	43,813
01	July	2037	43,813
01	January	2038	<u>43,789</u>
Total			<u>2,103,000</u>

*The figures in this column represent SDR equivalents determined as of the respective dates of withdrawal. The arrangements for payment of each maturity are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

SCHEDULE 3**Allocation and Withdrawal of Loan Proceeds**General

1. The table attached to this Schedule (the Table) sets forth the Categories of goods, services and other items to be financed out of the proceeds of the Loan and the allocation of amounts of the Loan to each such Category. (Reference to "Category" or "Categories" in this Schedule is to a Category or Categories of the Table and reference to "Subcategory" or "Subcategories" in this Schedule is to a Subcategory or Subcategories of a Category.)

Taxes

2. No withdrawals from the Loan Account shall be made in respect of any local taxes.

Percentages of ADB Financing

3. Except as ADB may otherwise agree, the items of the Categories and Subcategories listed in the Table shall be financed out of the proceeds of the Loan on the basis of the percentages set forth in the Table.

Interest Charge

4. The amount allocated to Category 5 is for financing the interest charge on the Loan during the implementation period of the Project.

Reallocation

5. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

(a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and

(b) if the amount of the Loan then allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

Imprest Account; Statement of Expenditures

6. (a) Except as ADB may otherwise agree, the Borrower shall establish immediately after the Effective Date, an imprest account at a nationalized commercial bank acceptable to ADB. The imprest account shall be established, managed, replenished and liquidated in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. The initial advance to be deposited into the imprest account shall not exceed the lesser of the estimated expenditures for the first six months of the Project implementation period or the equivalent of \$300,000.

(b) The statement of expenditures (SOE) procedure may be used for reimbursement of eligible expenditures and to liquidate advances provided into the imprest account, in accordance with ADB's "Loan Disbursement Handbook" dated January 2001, as amended from time to time, and detailed arrangements agreed upon between the Borrower and ADB. Any individual payment to be reimbursed or liquidated under the SOE procedure shall not exceed the equivalent of \$ 50,000.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS (Improvement of Capital Market and Insurance Governance Project)			
CATEGORY			ADB FINANCING
Number	Item	Amount Allocated SDR Category	Percentage and Basis for Withdrawal from the Loan Account
1	Equipment	301,000	100 percent of total expenditure*
2	Training	182,000	100 percent of total expenditure*
3	Consulting Services	1,272,000	100 percent of total expenditure*
4	Reports and Communications	11,000	100 percent of total expenditure*
5	Interest Charge	27,000	100 percent of amounts due
6	Unallocated	310,000	
	Total	2,103,000	

*Exclusive of local taxes

SCHEDULE 4

Procurement

General Provisions

1. Except as ADB may otherwise agree, the procedures referred to in the following paragraphs of this Schedule shall apply in the procurement of goods and services to be financed out of the proceeds of the Loan. In this Schedule and the Attachment hereto, the term "goods" includes equipment and materials; the term "services" does not include consulting services.

2. Procurement of goods and services shall be subject to the provisions of the "Guidelines for Procurement under Asian Development Bank Loans" dated November 2004 (the Guidelines for Procurement), as amended from time to time, which have been furnished to the Borrower, the Project Executing Agency and each of the Project Implementing Agencies.

3. Procurement of goods and services shall be made without any restriction against, or preference for, any particular supplier or contractor or any particular class of suppliers or contractors, except as otherwise provided in paragraphs 6 and 7 below.

International Procurement

4. (a) Each supply contract for equipment or materials estimated to cost the equivalent of more than \$250,000 shall be awarded on the basis of international competitive bidding as described in Chapter II of the Guidelines for Procurement.

(b) For contracts to be awarded on the basis of international competitive bidding, there shall be submitted to ADB, as soon as possible, and in any event not later than 90 days before the issuance of the first invitation to bid for the Project, a General Procurement Notice (which ADB will arrange to publish separately) in such form and detail and containing such information as ADB shall reasonably request.

(c) For contracts to be awarded on the basis of international competitive bidding, procurement actions shall be subject to review by ADB in accordance with the procedures set forth in Chapter IV of the Guidelines for Procurement. Each draft invitation to bid, to be submitted to ADB for approval under such procedures, shall reach ADB at least 21 days before it is issued and shall contain such information as ADB shall reasonably request to enable ADB to arrange for the separate publication of such invitation.

5. (a) The contract for the market surveillance system under Part 1, Component 1 shall be awarded on the basis of international shopping as described in Chapter III of the Guidelines for Procurement.

(b) The draft invitation to bid and related bid document shall be submitted to ADB for approval before they are issued.

(c) Notwithstanding paragraph 3.03(b) of the Guidelines for Procurement, any award of contract shall be subject to prior ADB approval.

Schedule 4Domestic Preference

6. In comparing bids under international competitive bidding, a margin of preference may be provided, at the option of the Borrower and in accordance with the provisions of the Attachment to this Schedule, for goods manufactured in the territory of the Borrower, provided that the bidder offering such goods shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods.

Local Competitive Bidding

7. (a) Minor items of equipment and materials and off-the-shelf items estimated to cost in total the equivalent of \$250,000 or less may be awarded on the basis of local competitive bidding procedures in accordance with the standard procurement procedures of the Borrower and acceptable to ADB.

(b) For the first contract to be awarded on the basis of local competitive bidding, the first draft English language version of the bidding documents shall be submitted for review and approval of ADB irrespective of the estimated contract amount. The approved bidding documents shall be used by the Borrower as a model for the subsequent contracts to be awarded on the same basis.

(c) For the subsequent contracts, bid evaluation and award of contracts shall be subject to post review by ADB.

Direct Procurement

8. (a) Minor items of equipment and materials and off-the-shelf items estimated to cost in total the equivalent of \$100,000 or less may be procured directly from the manufacturers of the original equipment or their agents, in accordance with the standard procurement procedures of the Borrower and acceptable to ADB.

(b) Prior to any direct procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential source of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

9. Certain items of equipment which are available from a limited number of qualified suppliers, and estimated to cost, in the aggregate, the equivalent of \$3,000, may be procured on the basis of quotations obtained from such suppliers. Prior to such procurement, a list of individual items to be procured, an estimate of their costs, an indication of potential sources of supply and any related documents shall be submitted to ADB for approval. After award, three copies of each contract for such items shall be furnished to ADB.

Industrial or Intellectual Property Rights

10. (a) The Borrower shall ensure that all ADB-financed goods and services procured (including without limitation all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party.

(b) The Borrower shall ensure that all ADB-financed contracts for the procurement of goods and services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

Preference for Domestically Manufactured Goods

1. In the procurement of goods through international competitive bidding, goods manufactured in the territory of the Borrower may be granted a margin of preference in accordance with the following provisions, provided that the bidder shall have established to the satisfaction of the Borrower and ADB that the domestic value added equals at least 20 percent of the ex-factory bid price of such goods. The 20 percent domestic value added applies to the total ex-factory bid price of the goods and not only to one item in a list.

- (a) For application of domestic preference, all responsive bids shall first be classified into the following three categories:

Category I -- bids offering goods manufactured in the territory of the Borrower which meet the minimum domestic value added requirement;

Category II -- bids offering other goods manufactured in the territory of the Borrower; and

Category III -- bids offering imported goods.

- (b) The lowest evaluated bid of each category shall then be determined by comparing all evaluated bids in each category among themselves, without taking into account customs duties and other import taxes levied in connection with the importation, and sales and similar taxes levied in connection with the sale or delivery, pursuant to the bids, of the goods.
- (c) Such lowest evaluated bids shall next be compared with each other and if, as a result of this comparison, a bid from Category I or Category II is found to be the lowest, it shall be selected for the award of contract.
- (d) If, however, as a result of the comparison under subparagraph (c) above, the lowest bid is found to be from Category III, it shall be further compared with the lowest evaluated bid from Category I. For the purpose of this further comparison only, an upward adjustment shall be made to the lowest evaluated bid price of Category III by adding either
- (i) the amount of customs duties and other import taxes which a nonexempt importer would have to pay for the importation of the goods offered in such Category III bid; or
 - (ii) 15 percent of the CIF bid price of such goods if the customs duties and import taxes referred to above exceed 15 percent of the CIF bid price.

If, after such further comparison, the Category I bid is determined to be the lowest, it shall be selected for the award of contract; if not, the lowest evaluated bid from Category III shall be selected for the award.

2. (a) Bidders applying for the preference shall provide evidence necessary to establish the eligibility of a bid for the preference, including the minimum domestic value added.

(b) The bidding documents shall clearly indicate the preference to be granted, the information required to establish the eligibility of a bid for the preference claimed, and the procedures to be followed in the comparison of bids, all as set forth above.

SCHEDULE 5

Consultants

General Provisions

1. The services of consultants shall be utilized in the carrying out of the Project, particularly with regard to:

- (a) securities market practices, surveillance, policy and regulation;
- (b) governance in financial sector;
- (c) risk assessment and risk management in financial sector;
- (d) primary and secondary capital market mechanisms;
- (e) accounting and auditing practices;
- (f) portfolio evaluation systems;
- (g) licensing and accreditation in capital markets;
- (h) insurance industry practices and regulation;
- (i) management information system;
- (j) training; and
- (k) project management and implementation.

The terms of reference of the consultants shall be as determined by agreement between the Borrower and ADB.

2. The selection, engagement and services of the consultants shall be subject to the provisions of this Schedule and the provisions of the "Guidelines on the Use of Consultants by Asian Development Bank and Its Borrowers" dated January 2005 (the Guidelines on the Use of Consultants), as amended from time to time, which have been furnished to the Borrower and the Project Executing Agency.

3. Two teams of consulting firms consisting of international and domestic consultants, and an individual domestic consultant shall be engaged for the Project.

Consulting Firms

4. A team of consultants shall be selected and engaged as a firm by the Project Executing Agency for each Part using the quality-and-cost -based selection (QCBS) method in accordance with the following procedures.

(a) Invitation for technical and financial proposals. The invitation to submit technical and financial proposals (hereinafter called the Request for Proposals or RFP) and all related documents shall be approved by ADB before they are issued. For this purpose, three copies of the draft RFP, the names of consultants to be short-listed, the proposed criteria for evaluation of both proposals, a draft consultancy contract, and other related documents shall be submitted to ADB. A period of at least 45 days shall be allowed for submission of both proposals. A copy of the final RFP as issued, together with all related documents, shall be furnished to ADB for information promptly after issuance. The validity period for the technical and financial proposals as provided in the RFP shall usually not exceed three months from the date specified for submission of the technical and financial proposals. The approval of ADB shall be obtained for any request to extend such validity period. Except as ADB may otherwise agree, the validity period, including any extensions,

Schedule 5

shall not exceed a maximum total period of six months. If the contract is not signed within the validity period in accordance with the Guidelines on the Use of Consultants, the selection shall be invalid and the selection and engagement process as provided in this paragraph shall be followed again.

(b) Evaluation and scoring of technical proposals. Immediately after the technical proposals have been evaluated and scored, approval of ADB shall be obtained to the evaluation and scoring of the technical proposals. For this purpose, ADB shall be furnished with three copies of the technical proposals.

(c) Public opening of financial proposals. The financial proposals of the firms whose technical proposals meet the minimum qualifying technical score shall be opened publicly after adequate notice is given to such firms or their representatives to attend the opening of the financial proposals.

(d) Evaluation and scoring of financial proposals and ranking of technical and financial proposals. After the financial proposals have been evaluated and scored, the ranking of the technical and financial proposals shall be made. Before negotiations are started with the first-ranked consultants, approval of ADB shall be obtained to the evaluation and scoring of the financial proposals and the ranking of the technical and financial proposals. For this purpose, ADB shall be provided with three copies of (i) the evaluation and scoring of the financial proposals and (ii) the ranking of the technical and financial proposals.

(e) Execution of contract. After the conclusion of negotiations but before the signing of the contract, ADB shall be furnished with the contract as negotiated for approval. Promptly after the contract is signed, ADB shall be furnished with three copies of the signed contract. If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

Individual Consultants

5. Individual consultants shall be selected and engaged by the Project Executing Agency in accordance with the following procedures.

(a) A list of the candidates together with their qualifications and their ranking and a draft contract shall be furnished to ADB for approval before the selection of a consultant.

(b) Promptly after the contract is signed, ADB shall be furnished with the evaluation of the candidates and a brief justification for the selection, together with three copies of the signed contract.

(c) If any substantial amendment of the contract is proposed after its execution, the proposed changes shall be submitted to ADB for prior approval.

Industrial or Intellectual Property Rights

6. The Borrower shall ensure that all ADB-financed contracts with consultants contain appropriate representations, warranties and, if appropriate, indemnities from the consultants to ensure that the consulting services provided do not violate or infringe any industrial property or intellectual property right or claim of any third party.

SCHEDULE 6

Implementation and Execution of the Project

I. Implementation Arrangements

Project Executing Agency and Implementing Agencies

1. MOF-FD as Project Executing Agency, shall be responsible for overall execution of the Project, including preparation and submission of required reports to ADB. MOF-FD shall establish the PMU, to be headed by the Project co-ordinator at the level of joint secretary and shall ensure that appropriate full-time staff are assigned to the PMU, and adequate office space and facilities, transport, and secretarial support are provided to the PMU as needed. The PMU shall (a) coordinate day to day implementation of the Project, (b) provide administrative and fiduciary support to the Project Implementing Agencies, and (c) support MOF-FD in reporting on the progress of the Project and the use of the Project funds.

2. The Borrower shall ensure that:

(a) SEC shall be the Project Implementing Agency for Part 1, Components 1 to 3 and shall implement Part 1, Component 2 in cooperation with CSE and DSE;

(b) ICB shall be the Project Implementing Agency for Part 1, Component 4 and shall ensure that all reports and information necessary for the review of accounting and audit standards and practices of ICB and its subsidiaries and affiliates are available in the requested form and in a timely manner; and

(c) OCCI shall be the Project Implementing Agency for Part 2 and it shall commence drafting implementing regulations once the draft Insurance, Takaful (Islamic Insurance), and Insurance Regulatory Authority Acts are approved by the Cabinet of the Borrower, so as to ensure the efficient transition and early functioning of the proposed insurance regulatory authority. OCCI shall ensure that all reports and information necessary for the study and development plan to deal with any impact from the proposed legislation and implementing regulations on the state-owned insurance corporations are available in the requested form and in a timely manner.

3. (a) Each Project Implementing Agency shall (i) establish a PIU, which is responsible for (A) day-to-day implementation of their respective Parts or Components; and (B) liaising with concerned agencies of the Borrower as may be required, and (ii) provide adequate office space and facilities, transport, secretarial support and qualified local counterpart staff to the respective PIU as needed.

(b) Each PIU shall be headed by a Project director in the position of: (i) executive director level in SEC; (ii) general manager level in ICB; and (iii) controller of insurance, in OCCI.

II. Gender-related Issues

4. The Borrower shall ensure that (a) awareness and training programs for potential women investors are developed and undertaken under the Project to address their specific needs, and (b) such women investors participate in such trainings.

III. Performance Monitoring and Reporting

5. Benefit and performance benchmark indicators, based on the Borrower's project plan and agreed between the Borrower and ADB will be incorporated in the design of the Project performance monitoring system (PPMS) to facilitate the monitoring and evaluation of Project benefits. Data collection and monitoring shall be undertaken by the PIUs and overseen by the PMU as part of the standard procedures required by ADB through the PPMS activities.

6. The Borrower and ADB shall jointly conduct Project reviews, the first to be conducted within 12 months from the Effective Date. The reviews shall cover progress of implementation, financial performance, staffing of the Project and compliance with the conditions in this Loan Agreement. After each review, the Borrower and ADB shall discuss the measures needed to address identified difficulties, if any and the Borrower and/or ADB shall implement the measures in a timely manner.