

CONFORMED COPY

CREDIT NUMBER 3726-GY

Development Credit Agreement

(Public Sector Technical Assistance Project)

between

CO-OPERATIVE REPUBLIC OF GUYANA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated January 21, 2003

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated January 21, 2003, between the CO-OPERATIVE REPUBLIC OF GUYANA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested the Association to assist in the financing of the Project; and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985 (as amended through October 6, 1999) (the General Conditions), constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

- (a) "Auditor General" means the Borrower's Auditor General;
- (b) "Attorney General" means the Borrower's Attorney General;
- (c) "Bureau of Statistics" means the Borrower's Bureau of Statistics;
- (d) "Executing Agencies" means the Borrower's agencies that will implement the Project, as set forth in Schedule 5 to this Agreement;

(e) “FMR” means a financial monitoring report referred to in Section 4.02 of this Agreement;

(f) “GNCB” means the Guyana National Cooperative Bank, a banking institution established under Chapter 75:01 of the Borrower’s Cooperative Financial Institutions Act No. 8 of 1976;

(g) “GRA” means the Borrower’s Revenue Authority established in 1996;

(h) “Integrity Commission Act” means the Act on Public Disclosure of the Borrower, duly published in the Borrower’s Official Gazette on September 24, 1977, as said Act has been amended to the date of this agreement;

(i) “M&EU” means the Monitoring and Evaluation Unit within the PCPMU (as hereinafter defined);

(j) “Ministry of Education” means the Borrower’s Ministry of Education;

(k) “Ministry of Finance” means the Borrower’s Ministry of Finance;

(l) “Ministry of Human Services, Labour and Social Security” means the Borrower’s Ministry of Human Services, Labour and Social Security;

(m) “Ministry of Public Services” means the Borrower’s Ministry of Public Services;

(n) “NICIL” means National Investments Commercial and Industrial Limited, the Borrower’s company holding state-owned enterprises;

(o) “NPTA” means the Borrower’s National Procurement Tender Administration established under section 16 (1) of the Procurement Act (as hereinafter defined);

(p) “NPTAS” means the Borrower’s Secretariat of the NPTA established under section 18 (1) of the Procurement Act (as hereinafter defined) to be responsible for the operational management of the NPTA;

(q) “NPTB” means the Borrower’s National Procurement and Tender Board established under section 16 (2) of the Procurement Act (as hereinafter defined) to manage the NPTA;

- (r) "Office of the President" means the Borrower's Office of the President;
- (s) "Operational Manual" means the operational manual for the Project referred to in Section 3.02 of this Agreement;
- (t) "PCPMU" means the Policy Coordination and Programme Management Unit within the Office of the President;
- (u) "PCU" means the Project Coordination Unit within the PCPMU;
- (v) "Privatization Unit" means the Borrower's Privatization Unit established within the Ministry of Finance;
- (w) "Procurement Act" means the Borrower's Procurement Act 2002, Act. No. 6 of 2002, duly published in the Borrower's Official Gazette on July 5, 2002, as may be amended from time to time in a manner that is satisfactory to the Association;
- (x) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to the letter agreement signed on behalf of the Association on August 16, 2002 and on behalf of the Borrower on August 22, 2002;
- (y) "PRSP" means Report No. 24172-GUA, the Poverty Reduction Strategy Paper of the Borrower approved by the Board of the Association on September 19, 2002;
- (z) "PSCES" means the Borrower's Parliamentary Sectoral Committee on Economic Services;
- (aa) "PU" means the Policy Unit within the PCPMU;
- (bb) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement; and
- (cc) "Supplemental Letter" means the letter of even date herewith, from the Borrower to the Association, setting forth the monitoring indicators for the Project.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to three million six hundred thousand Special Drawing Rights (SDR3,600,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in Dollars a special deposit account in a commercial bank on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure or attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

(c) Promptly after the Effective Date, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and pay to itself the amount required to repay the principal amount of the Project Preparation Advance withdrawn and outstanding as of such date and to pay all unpaid charges thereon. The unwithdrawn balance of the authorized amount of the Project Preparation Advance shall thereupon be canceled.

Section 2.03. The Closing Date shall be July 12, 2006 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set

as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on June 15 and December 15 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each June 15 and December 15 commencing June 15, 2013 and ending December 15, 2042. Each installment to, and including the installment payable on, December 15, 2022 shall be one percent (1%) of such principal amount, and each installment thereafter shall be two percent (2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:

- (A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and
- (B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided,

however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project through the Office of the President, in coordination with the Executing Agencies as set forth in Schedule 5 to this Agreement, with due diligence and efficiency and in conformity with appropriate financial, administrative, legal and technical practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02 (a) Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Borrower and the Association may otherwise agree, the Borrower shall carry out the Project in accordance with an operational manual (the Operational Manual), satisfactory to the Association, and to be prepared by the PCU, said manual to include specific rules and procedures for Project implementation, including, *inter alia*:

- (i) detailed administrative procurement procedures;

- (ii) sample model procurement documents to be used for consultants and goods during Project implementation; and
- (iii) a procurement plan for Project implementation, including timetables.

(b) The Operational Manual may be amended from time to time, in a manner satisfactory to the Association, to facilitate continued Project implementation. If any provision of the Operational Manual is inconsistent with a provision of this Agreement, the provisions of this Agreement shall prevail.

Section 3.03. Except as the Association shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.04. (a) The Borrower shall maintain a Project coordination unit (the PCU) during the implementation of the Project, with functions, staff and responsibilities satisfactory to the Association, which shall include, *inter alia*:

- (i) management, coordination and implementation of the Project;
- (ii) monitoring and evaluation of the Project;
- (iii) processing of documentation required for disbursement of the loan proceeds and for procurement of goods and services under the Project; and
- (iv) preparation and maintenance of records, accounts and financial statements referred to in Article IV of this Agreement.

(b) The Borrower shall:

- (i) ensure that the PCU is staffed, at all times during the execution of the Project, by core professional staff (including at least a procurement officer and a disbursement officer who shall report to the coordinator of the PCPMU) in numbers and with experience and qualifications acceptable to the Association and operating under terms of reference satisfactory to the Association, and selected in accordance with transparent

procedures satisfactory to the Association, all as prescribed in the Operational Manual;

- (ii) ensure that the PCU is provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities, and
- (iii) consult with the Association on any substitution of the PCU's staff prior to such substitution.

Section 3.05. (a) The Borrower shall maintain a policy coordination and program management unit (the PCPMU) during the implementation of the Project, and with functions, staff and responsibilities satisfactory to the Association, which unit shall include, *inter alia*, the PCU, the PU and the M&EU.

(b) The Borrower shall:

- (i) ensure that the PCPMU is staffed, at all times during the execution of the Project, with core professional staff (including at least a coordinator) in numbers and with experience and qualifications acceptable to the Association and operating under terms of reference satisfactory to the Association, and selected in accordance with transparent procedures satisfactory to the Association, all as prescribed in the Operational Manual;
- (ii) ensure that the PCPMU is provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities, and
- (iii) consult with the Association on any substitution of the PCPMU's staff prior to such substitution.

Section 3.06. (a) The Borrower shall maintain a policy unit (the PU) during the implementation of the Project, with functions, staff and responsibilities satisfactory to the Association, which shall include, *inter alia*, the evaluation and improvement upon Borrower's policies, while providing analytical and research capacity for the Office of the President, including the provision of strategic advice regarding PRSP implementation.

(b) The Borrower shall:

- (i) ensure that the PU is staffed, at all times during the execution of the Project, by core professional staff (including at least a head and a policy analyst) in numbers and with experience and qualifications acceptable to the Association and operating under terms of reference satisfactory to the Association, and selected in accordance with transparent procedures satisfactory to the Association, all as prescribed in the Operational Manual;
- (ii) ensure that the PU is provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities; and
- (iii) consult with the Association on any substitution of the PU's staff prior to such substitution.

Section 3.07. (a) The Borrower shall maintain a monitoring and evaluation unit (the M&EU) during the implementation of the Project, with functions, staff and responsibilities satisfactory to the Association, which shall include, *inter alia*, monitoring and evaluation of all PRSP activities, including those that are benchmarks for external financing.

(b) The Borrower shall:

- (i) ensure that the M&EU is staffed, at all times during the execution of the Project, with core professional staff (including at least a head, a communications officer, a lead social scientist and two community facilitators) in numbers and with experience and qualifications acceptable to the Association and operating under terms of reference satisfactory to the Association, and selected in accordance with transparent procedures satisfactory to the Association, all as prescribed in the Operational Manual, provided, however, that the communications officer, the lead social scientist and the two community facilitators may be hired by the Borrower after the Effective Date, but in no case later than January 31, 2003;
- (ii) ensure that the M&EU is provided with adequate facilities, satisfactory to the Association, to carry out its responsibilities, and
- (iii) consult with the Association on any substitution of the M&EU's staff prior to such substitution.

Section 3.08. For the purposes of Section 9.06 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare, on the basis of guidelines acceptable to the Association, and furnish to the Association not later than six (6) months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, a plan designed to ensure the continued achievement of the Project's objectives; and

(b) afford the Association a reasonable opportunity to exchange views with the Borrower on said plan.

Section 3.09. Without limitation to the provisions of Section 9.01 of the General Conditions, the Borrower, through the PCU shall:

(a) maintain policies, systems and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators set forth in the Supplemental Letter, the carrying out of the Project and the achievement of the objectives thereof;

(b) prepare, under terms of reference satisfactory to the Association, and furnish to the Association, on or about July 15 of each year during the implementation of the Project, starting in the year 2003, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out an annual work plan recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Association, by October 30 of each year during the implementation of the Project, starting in the year 2003, or such later date as the Association shall request, the reports referred to in paragraph (b) of this Section, and, thereafter, carry out the annual work plans referred to in paragraph (b) of this Section and take all other measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said reports and the Association's views on the matter (the first of said annual work plans shall detail the actions to be carried out under Part A.1 of the Project).

Section 3.10. The Borrower shall cause the PCPMU coordinator and the PCU procurement officer to attend a basic procurement seminar acceptable to the Association which seminar shall take place not later than three months after the date of this Agreement.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall establish and maintain a financial management system, including records and accounts, and prepare financial statements in a format acceptable to the Association, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and the records and accounts for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Association, consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year: (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and report of such audit, by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning such records and accounts, and the audit thereof, and concerning said auditors, as the Association may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders,

invoices, bills, receipts and other documents) evidencing such expenditures;

- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

Section 4.02. (a) Without limitation upon the Borrower's progress reporting obligations set out in Section 3.09 of this Agreement, the Borrower shall prepare and furnish to the Association a financial monitoring report, in form and substance satisfactory to the Association, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the Credit, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Association not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Association not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that any legislation of the Borrower shall have been amended, suspended, abrogated, repealed or waived so as to, in the opinion of the Association, affect materially and adversely the objectives or carrying out of the Project.

Section 5.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that any event specified in Section 5.01 of this Agreement shall occur.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions:

- (a) that the Operational Manual has been approved by the Association, issued and put into effect;
- (b) that the PCU has been staffed in a manner that is satisfactory to the Association;
- (c) that the coordinator of the PCPMU satisfactory to the Association has been hired;
- (d) that the financial management system referred to in Section 4.01 of this Agreement, satisfactory to the Association, has been established by the Borrower and become operational; and
- (e) that a procurement plan for Project implementation, including, but not limited to, a detailed plan for the first year of Project implementation, has been prepared by the Borrower and approved by the Association.

Section 6.02. The date April 21, 2003 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance
Ministry of Finance
Main and Urquhart Streets
Georgetown
Cooperative Republic of Guyana

Facsimile:

(592) 226-1284

For the Association:

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

Cable address:

Telex:

Facsimile:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia as of the day and year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ David de Ferranti

Regional Vice President

CO-OPERATIVE REPUBLIC OF GUYANA

By /s/ Odeen Ishmael

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Goods under Parts A.1, A.3, A.4, A.5, B and C of the Project	334,788	100% of foreign expenditures and 85% of local expenditures
(2) Goods under Part A.2 of the Project	97,000	100% of foreign expenditures and 85 % of local expenditures
(3) Consultants' services and training under Parts A.1, A.3, A.4, A.5, B and C of the Project	2,547,500	100%
(4) Consultants' services and training under Part A.2 of the Project	320,000	100%
(5) Refunding of Project Preparation Advance	300,712	Amount due pursuant to Section 2.02 (c) of this Agreement
TOTAL	<u>3,600,000</u>	

2. For the purposes of this Schedule, the term:

(a) "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower;

(b) "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower; and

(c) "training" includes only: (i) reasonable travel, room, board and per diem expenditures incurred by trainees in connection with their training and by non-consultant training facilitators; (ii) course fees charged by academic institutions; (iii) training facility rentals, and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this subparagraph.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the equivalent of SDR300,385.68, may be made on account of payments made for expenditures incurred after August 22, 2002 (but in no case incurred earlier than the twelve months immediately before the date of this Agreement); and

(b) payments for expenditures covered by disbursement categories 2 and 4 set forth in the table in paragraph 1 of this Schedule, unless the Procurement Act 2002 (Act No. 6 of 2002) has been amended in a manner that is satisfactory to the Association.

4. The Association may require withdrawals from the Credit Account to be made on the basis of statements of expenditure for expenditures under: (a) contracts for goods estimated to cost less than \$10,000 equivalent each (with the exception of the contracts for goods to be procured under Part C.3 of Section I of Schedule 3 to this Agreement); (b) contracts for the employment of consulting firms estimated to cost less than \$100,000 equivalent each; and (c) contracts for the employment of individual consultants with the exception of the contracts for the employment of individual consultants: (i) under Part C.2 of the Project; (ii) on a sole-source basis; or (iii) estimated to cost \$20,000 equivalent or more, all under such terms and conditions as the Association shall specify by notice to the Borrower.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower in building its capacity to meet the governance and poverty reduction objectives described in the PRSP, focusing on building stronger public institutions, improving governance, and improving social safety nets, through: (i) the strengthening of the fiscal, financial and fiduciary management of the Borrower; (ii) the improvement of the coverage and efficiency of social safety nets; and (iii) the development of the institutional capacity of the Borrower to manage, monitor, evaluate and improve PRSP implementation.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Association may agree upon from time to time to achieve such objectives:

Part A: Strengthening Fiscal, Financial and Fiduciary Management

1. Strengthening the GRA through the implementation of a reform program resulting from the diagnostic of GRA operations recently carried out by the International Monetary Fund, including specific actions to be agreed upon by the Association and the Borrower pursuant to Section 3.08 of this Agreement, which actions shall be limited to one or more of the following:

(a) assisting the management of the GRA in the preparation and implementation of said reform program through the hiring of consultants who are tax and customs policy and/or administration experts;

(b) designing and implementing an anti-corruption program;

(c) launching a reform process to improve tax and customs systems, procedures and training programs; and

(d) performing preparatory work for tax reforms including a possible new value added tax (VAT).

2. Strengthening the Borrower's procurement administration through the following actions:

(a) drafting, printing and dissemination of rules and regulations to implement the Procurement Act, including the training of the relevant officials of the Borrower;

(b) assisting in the establishment and strengthening of the NPTA (including the NPTB and the NPTAS), through the provision of equipment and consultancy services to advise on appropriate systems, procedures and administrative tools, including standard bidding documents, pre-qualification, evaluation, contract forms, documented internal administrative rules, procurement manuals, procurement guidelines and procedures, flow-charts and time schedules for different procurement methods;

(c) assisting in the establishment of a management information system and record keeping procedures for the NPTA and the NPTAS;

(d) carrying out of a training program for the NPTA staff and other public officials who will need to comply with the new rules; and

(e) developing a plan to improve transparency of decisions regarding public procurement and capital investment, including the dissemination of this information to the public, through the hiring of experts who will: (i) design and specify information technology solutions to assist with said dissemination; and (ii) develop systems to support electronic purchase of standard public sector equipment and electronic procurement.

3. Strengthening the Borrower's fiduciary oversight, through the carrying out of the following studies identified as priorities by the financial accountability assessment of the Borrower recently conducted by the Association:

(a) a study to identify and set up an oversight mechanism for public financial management, including: (i) the review of existing laws and regulations governing the oversight of the public sector financial management processes; (ii) the review of public budgets, interpretation of accounting and financial reports, debt management, investment requirements and sub-national finance; (iii) the development of an operational framework for the PSCES and its supporting secretariat, the responsible entity for said oversight mechanism; (iv) the development of systems and procedures for conducting analysis, presenting findings and keeping records by the PSCES and its secretariat; (v) the development of rules and procedures for committee deliberations within the PSCES; and (vi) the identification of skills and training requirements for members of the PSCES and staff of its secretariat;

(b) a study to develop proposals to limit the discretionary powers vested in Government entities, with special emphasis upon ministries and agencies whose exercise

of discretion impacts most on public revenue and the conduct of business, including: (i) a review of the constitution, laws and regulations that permit discretionary actions by said entities, recording and categorizing such actions and recommending reforms for the “policy setting” and “policy execution” levels; (ii) a review of the business processes and practices for executing policy that is currently in place, suggesting best practices that delineate policy setting and policy execution; (iii) an analysis of discretionary authority actions and whether these actions are appropriate and follow a transparent logical process; (iv) a review of the process for granting waivers for each of said entities; (v) the documentation of actions that fall within the discretionary authority of said Government entities, as well as of the limits thereto; (vi) the development of a mechanism to ensure that said Government entities do not engage in inappropriate discretionary or non-transparent decisions; and (vii) the development of a training program to educate senior public officials in the appropriate use of discretion; and

(c) a study to determine how to strengthen disclosure requirements for public sector officials through the following actions: (i) the review of the Integrity Commission Act which includes the creation of an integrity commission; (ii) the determination of the requirements to make the disclosure process credible, including making publicly available the submissions by public officials; (iii) the determination of the appropriate resourcing and government support for the integrity commission; (iv) the determination of the support required from the Auditor General and other agencies to identify and follow-up on misdeeds; and (v) the development of an action plan to implement changes agreed upon by the Borrower and the Association.

4. Implementing an upgraded human resource management system and database for public employees and integrating it with the existing payroll system to improve quality, usefulness and security of personnel, including:

(a) the development of an integrated database taking into consideration the capacity of the telecommunications network;

(b) the gathering and transfer of data available in the existing human resource database to the upgraded system;

(c) the acquisition of additional hardware and software to ensure that users in the Ministry of Finance and the Ministry of Public Services will have access to the new integrated database;

(d) the implementation of security measures to ensure that unauthorized personnel cannot access and alter data;

(e) the preparation of user manuals and process documentation; and

(f) the training of core staff in the Ministry of Finance and the Ministry of Public Services to enable them to use and update the integrated database as necessary.

5. Supporting the Borrower's privatization activities, including:

(a) supporting the management of the privatization process of GNCB and its properties, including offering GNCB properties for sale and monitoring GNCB post privatization activities; and

(b) supporting the management and monitoring of state-owned corporations and entities and the divestiture program carried out by the Privatization Unit, including: (i) setting up a national asset register; (ii) ascertaining the legal status of NICIL properties; (iii) managing and monitoring state-owned corporations/entities; (iv) winding up entities into NICIL; (v) investigating and liquidating non-functional state-owned entities; and (vi) carrying out restructuring of state-owned entities.

Part B: Improving the Coverage and Efficiency of Social Safety Nets

1. (a) Strengthening the capacity of the Ministry of Human Services, Labor and Social Security to manage safety net programs through improved systems, processes and training; and

(b) carrying out of diagnostics and developing recommendations in the following areas: (i) the Ministry of Education's school feeding program, including ways to improve its coverage and efficiency; (ii) labor market and employment, including determining whether the training offered by the Ministry of Education's vocational training institute is aligned with labor market demand; and (iii) safety net legislation, including reviewing existing legislation, proposing reforms and possibly drafting new legislation.

2. Carrying out of an analysis of the profile and needs of target populations affected by sector restructuring (primarily the sugar and water sectors) and developing safety net recommendations to mitigate the potentially adverse impact of expected retrenchment on vulnerable groups, including the design of severance packages and training proposals for retrenched workers.

Part C: Developing Institutional Capacity to Manage, Monitor, Evaluate and Improve PRSP and the Project's Implementation

1. (a) Strengthening the Bureau of Statistics through improved processes, systems, training and information technology capacity, by: (i) providing experts in

information technology, data generation and analysis, and training for senior management to enhance the technical expertise of the Bureau of Statistics; and (ii) upgrading information technology equipment for data management, data dissemination, and the establishment of a website for the Bureau of Statistics; and

(b) improving the coverage, timeliness, quality, quantity and use of relevant survey data and statistical outputs of the Bureau of Statistics, by training relevant officials and supporting efforts to improve questionnaire design, field-testing and processes for data entry, as well as assisting field operations to ensure that census operations are carried out with due regard to operational details.

2. Strengthening the institutional capacity of the PCPMU (and its PCU, PU and M&EU) to carry out its responsibilities.

* * *

The Project is expected to be completed by January 12, 2006.

SCHEDULE 3

Procurement

Section I. Procurement of Goods and Works

Part A: General

Goods shall be procured in accordance with the provisions of Section I of the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the Bank in January 1995 and revised in January and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

Part B: International Competitive Bidding

(a) Except as otherwise provided in Part C of this Section, goods shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

(b) To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$75,000 equivalent or more each.

Part C: Other Procurement Procedures

1. International Shopping

Goods estimated to cost less than \$75,000 equivalent and more than \$10,000 equivalent per contract, and not exceeding in the aggregate \$139,000 equivalent may be procured under contracts awarded on the basis of international shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

2. National Shopping

Goods estimated to cost \$10,000 equivalent or less per contract and not exceeding in the aggregate \$103,000 equivalent may be procured under contracts awarded on the basis of national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

3. Direct Contracting

Goods, including software, which must be purchased from the original supplier to be compatible with existing equipment and costing \$120,000 equivalent or less in the aggregate, may, with the Association's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for the Project shall be furnished to the Association for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Association, and with the provisions of said paragraph 1.

2. Prior Review

(a) With respect to each contract for goods to be procured in accordance to the procedures referred to in Part B above the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

(b) With respect to each contract for goods to be procured in accordance with the procedures referred to in Part C.1 and C.3, the following procedures shall apply:

- (i) prior to the selection of the supplier or contractor, or the execution of such contract under shopping procedures, the Borrower shall provide to the Association a report on the comparison and evaluation of quotations received;
- (ii) prior to the execution of such contract procured under shopping or direct contracting procedures, the Borrower shall provide to the Association a copy of the specifications and the draft contract; and
- (iii) the procedures set forth in paragraphs 2(f), 2(g) and 3 of Appendix 1 to the Guidelines shall apply.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

Section II. Employment of Consultants

Part A: General

Consultants' services shall be procured in accordance with the provisions of Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997, January 1999 and May 2002 (the Consultant Guidelines), paragraph 1 of Appendix 1 thereto, Appendix 2 thereto and the following provisions of Section II of this Section.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Individual Consultants

Services of individual consultants for: (a) tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, and not exceeding in the aggregate \$2,204,000 equivalent shall be procured under contracts awarded in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines; and (b) tasks that meet the requirements set forth in paragraph 5.4 of the Consultant Guidelines, and not exceeding in the aggregate \$1,440,800 may be selected on a sole-source basis in accordance with the provisions of paragraphs 5.3 and 5.4 of the Consultant Guidelines, subject to prior approval of the Association.

Part D: Review by the Association of the Selection of Consultants

1. Selection Planning

A plan for the selection of consultants, which shall include contract cost estimates, contract packaging, and applicable selection criteria and procedures, shall be

furnished to the Association for its review and approval prior to the issuance to consultants of any requests for proposals. Such plan shall be updated every six (6) months during the execution of the Project, and each such updating shall be furnished to the Association for its review and approval. Selection of all consultants' services shall be undertaken in accordance with such selection plan (as updated from time to time) as shall have been approved by the Association.

2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 2, 3 and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants: (i) for Part C.2 of the Project; (ii) to be selected on a sole source basis; or (iii) estimated to cost the equivalent of \$20,000 or more, the report on the comparison of the qualifications and experience of candidates, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Association for its prior review and approval. The contract shall be awarded only after the said approval shall have been given. The provisions of paragraph 3 of Appendix 1 to the Consultant Guidelines shall also apply to such contracts.

3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Consultant Guidelines shall apply.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:
 - (a) the term “eligible Categories” means the Categories set forth in the table in paragraph 1 of Schedule 1 to this Agreement;
 - (b) the term “eligible expenditures” means expenditures in respect of the reasonable cost of goods and services required for the Project and to be financed out of the proceeds of the Credit allocated from time to time to the eligible Categories in accordance with the provisions of Schedule 1 to this Agreement; and
 - (c) the term “Authorized Allocation” means an amount equivalent to \$200,000 to be withdrawn from the Credit Account and deposited into the Special Account pursuant to paragraph 3(a) of this Schedule, provided, however, that the Association may increase the Authorized Allocation to an amount not exceeding the equivalent of \$450,000, based on the amounts and frequencies of withdrawal applications submitted by the Borrower, as well as on the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions, for the Project.
2. Payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.
3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Association a request or requests for deposit into the Special Account of an amount or amounts which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount or amounts as the Borrower shall have requested.
 - (b) (i) For replenishment of the Special Account, the Borrower shall furnish to the Association requests for deposits into the Special Account at such intervals as the Association shall specify.

- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Association the documents and other evidence required pursuant to paragraph 4 of this Schedule for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for eligible expenditures. All such deposits shall be withdrawn by the Association from the Credit Account under the respective eligible Categories, and in the respective equivalent amounts, as shall have been justified by said documents and other evidence.

4. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Association shall reasonably request, furnish to the Association such documents and other evidence showing that such payment was made exclusively for eligible expenditures.

5. Notwithstanding the provisions of paragraph 3 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

- (a) if, at any time, the Association shall have determined that all further withdrawals should be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement;

- (b) if the Borrower shall have failed to furnish to the Association, within the period of time specified in Section 4.01 (b)(ii) of this Agreement, any of the audit reports required to be furnished to the Association pursuant to said Section in respect of the audit of the records and accounts for the Special Account;

- (c) if, at any time, the Association shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Credit Account pursuant to the provisions of Section 6.02 of the General Conditions; or

- (d) once the total unwithdrawn amount of the Credit allocated to the eligible Categories, minus the total amount of all outstanding special commitments entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Project, shall equal the equivalent of twice the amount of the Authorized Allocation.

Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit allocated to the eligible Categories shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account: (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 2 of this Schedule; or (ii) was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association: (A) provide such additional evidence as the Association may request; or (B) deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Association shall otherwise agree, no further deposit by the Association into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount.

(c) The Borrower may, upon notice to the Association, refund to the Association all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Association made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions of this Agreement, including the General Conditions.

SCHEDULE 5

Project Implementation

1. The following are the Executing Agencies for the Project:
 - (a) The GRA for Part A.1 of the Project;
 - (b) The Ministry of Finance or such other agency as may be agreed upon in the future by the Borrower and the Association for Part A.2 of the Project;
 - (c) The office of the Attorney General for Part A.3 of the Project;
 - (d) The Ministry of Finance and the Ministry of Public Services for Part A.4 of the Project;
 - (e) The Privatization Unit for Part A.5 of the Project;
 - (f) The Ministry of Human Services, Labour and Social Security and the Ministry of Education for Part B.1 of the Project;
 - (g) The PCPMU for Part B.2 of the Project;
 - (h) The Bureau of Statistics for Part C.1 of the Project; and
 - (i) The Office of the President for Part C.2 of the Project.