

CONFORMED COPY

LOAN NUMBER 37580 JM

Loan Agreement

(Tax Administration Reform Project)

between

JAMAICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated July 18, 1994

LOAN NUMBER 37580 JM

LOAN AGREEMENT

AGREEMENT, dated July 18, 1994, between JAMAICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

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

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan 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 Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement:

- (a) The last sentence of Section 3.02 is deleted.

(b) In Section 6.02, subparagraph (k) is relettered as subparagraph (l) and a new subparagraph (k) is added to read:

"(k) An extraordinary situation shall have arisen under which any further withdrawals under the Loan would be inconsistent with the provisions of Article III, Section 3 of the Bank's Articles of 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. "Assessment Department" means the MOF's (as hereinafter defined) Assessment Department;

B. "Banking and Financial Institutions Acts" means the Borrower's Banking Act and Financial Institutions Act, both of 1992, as amended until the date of this Agreement;

C. "CARICOM" means the Caribbean Common Market created by the General Treaty for the Caribbean Community signed at Chaguramas, Trinidad and Tobago, on July 4, 1970, by Antigua, The Bahamas, Barbados, Belize, Dominica, Grenada, Guyana, Jamaica, Montserrat, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, and Trinidad and Tobago;

D. "Customs Act" means the Borrower's Customs Act of 1941, as amended until the date of this Agreement;

E. "Fiscal Year" means the Borrower's fiscal year, beginning on April 1 and ending on March 31 of each calendar year;

F. "FSL" means Fiscal Services (EDP) Limited, a company established under the Borrower's Companies Act, of 1965;

G. "GCTD" means the MOF's (as hereinafter defined) General Consumption Tax Department;

H. "General Consumption Tax Act" means the Borrower's General Consumption Tax Act of 1991, as amended until the date of this Agreement;

I. "Implementation Timetable" means the timetable set forth in Schedule 6 to this Agreement;

J. "Income Tax Act" means the Borrower's Income Tax Act of 1954, as amended until the date of this Agreement;

K. "IRD" means the MOF's (as hereinafter defined) Inland Revenue Department;

L. "ITD" means the MOF's (as hereinafter defined) Income Tax Department;

M. "LVD" means the MOF's (as hereinafter defined) Land Valuation Department;

N. "Master Plan" means the Borrower's plan referred to in Section 3.06 of this Agreement;

O. "MOF" means the Borrower's Ministry of Finance and Planning;

P. "Operational Manual" means the manual referred to in Section 3.07 of this Agreement;

Q. "PCU" means the Project coordination unit referred to in Section 3.03 (a) of this Agreement;

R. "Revenue Administration Act" means the Borrower's Revenue Administration Act of 1985, as amended until the date of this Agreement;

S. "RB" means the Borrower's Revenue Board, established by the Borrower's Revenue Board Act, of 1981;

- T. "RPD" means the MOF's Revenue Protection Division;
- U. "SDTTD" means the MOF's Stamp Duty and Transfer Tax Department;
- V. "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;
- W. "Stamp Duty Act" means the Borrower's Stamp Duty Act, of 1937;
- X. "Steering Committee" means the committee established pursuant to the letter from the MOF's Financial Secretary, dated September 20, 1993, appointing its members;
- Y. "TACS" means tax accounting and collection system, a system to process collection and accounting of taxes;
- Z. "Tax Administration" means the IRD, the ITD, the LVD, the SDTTD, the FSL, the RB, the RPD, the GCTD, the TPU (as hereinafter defined) and the Assessment Department, or any of them;
- AA. "Tax and Information Bills" means the legislative proposals referred to in Section 3.08 of this Agreement;
- AB. "Tax Legislation" means the Customs Act, the General Consumption Tax Act, the Income Tax Act, the Transfer Tax Act (as hereinafter defined), the Stamp Duty Act and any other legislation in Jamaica entitling the Borrower to levy taxes or fees from taxpayers, as such legislation may be amended pursuant to the provisions of Sections 3.08 and 3.10 of this Agreement;
- AC. "Transfer Tax Act" means the Borrower's Transfer Tax Act of 1971, as amended until the date of this Agreement;
- AD. "TRN" means the taxpayers registration number referred to in Section 3.09 of this Agreement; and
- AE. "TPU" means the Borrower's Taxation Policy Unit, within MOF.

ARTICLE II

The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, various currencies that shall have an aggregate value equivalent to the amount of thirteen million, two hundred thousand dollars (\$13,200,000), being the sum of withdrawals of the proceeds of the Loan, with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. (a) The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Loan.

(b) The Borrower shall, 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 Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 5 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2000 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent ($3/4$ of 1%) per annum on the

principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portions thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise than as provided in paragraph (a) of this Section.

(iii) "Semester" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of Qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on January 1 and July 1 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

Section 2.08. The Director of the External Financial Unit of the Economics Division of MOF, or any person authorized in writing by such Director, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Article V 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 with due diligence and efficiency, in accordance with the Implementation Timetable and the Operational Manual, and in conformity with appropriate managerial, administrative, maintenance and financial practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. (a) Without limitation upon the provisions of Section 3.01 of this Agreement, the Borrower shall maintain within MOF, until completion of the Project, a unit in charge of Project coordination (the PCU), with structure, functions, management, staff and budget, all satisfactory to the Bank.

(b) The Borrower shall maintain the Steering Committee with structure, functions, members and secretarial support, all satisfactory to the Bank, for purposes of providing guidance, monitoring and supervising the Project implementation and the PCU, and of facilitating the coordination among the different departments of the Borrower involved in the Project implementation.

Section 3.04. Without limitation upon the provisions of Section 9.07 of the General Conditions, by no later than June 30 and December 31 of each year during the execution of the Project, the Borrower, through PCU, shall furnish to the Bank a report on the progress achieved in the implementation of the Project during the immediately preceding semester, of such scope and in such detail as the Bank may reasonably request. The report to be furnished by no later than December 31 shall include a draft annual work plan for the upcoming calendar year.

Section 3.05 (a) Without limitation upon the provisions of Section 9.01 of the General Conditions, the Borrower, through PCU and in conjunction with the Bank, shall:

- (i) in the month of January of each year during the execution of the Project, excepting 1997, review the progress achieved in the implementation of the Project during the preceding calendar year, each such review to be based on the progress reports referred to in Section 3.04 of this Agreement, the corresponding annual work plans and the Implementation Timetable; and
- (ii) in the month of July of 1997, review the overall progress in the implementation of the Project, such review to include an assessment of the performance of the Borrower's obligations under this Agreement, and the available findings and recommendations of the consultants hired under the Project.

(b) If, as a result of any of the above reviews, the Bank determines that the progress in the execution of the Project or in the achievement of its objectives is not satisfactory, the Borrower shall promptly take all such action, satisfactory to the Bank, as shall be necessary for the efficient execution of the Project or the achievement of its objectives.

Section 3.06. The Borrower shall furnish to the Bank, and thereafter implement, a plan, satisfactory to the Bank (the Master Plan), for the carrying out of Part B of the Project, including, inter alia: (i) the reorganization of the Tax Administration; (ii) an overall management information system plan to ensure an efficient and reliable exchange of information among the Tax Administration units; (iii) a plan for the institutional strengthening of the Tax Administration; and (iv) a plan to increase salaries of staff of the Tax Administration.

Section 3.07. The Borrower shall adopt a manual, satisfactory to the

Bank (the Operational Manual), specifying criteria, methods and procedures for the carrying out of the Project.

Section 3.08. The Borrower shall present to its Parliament, for approval, bills, satisfactory to the Bank (the Tax and Information Bills), to amend the Tax Legislation, the Banking and Financial Institutions Acts and other laws of the Borrower related to tax enforcement, aimed at granting the Tax Administration department powers of, inter alia: (a) search and seizure; (b) survey of business premises; (c) impounding of original incriminating documents; (d) requisitioning of information from third parties, including banks and other financial institutions; and (e) exchanging taxpayers information among each other.

Section 3.09. The Borrower shall present to its Parliament, for approval, a bill, satisfactory to the Bank, establishing a compulsory taxpayer registration system, satisfactory to the Bank, such system to provide, inter alia, that every person having any transaction with the Tax Administration will be required to quote the respective tax registration number (the TRN).

Section 3.10. The Borrower shall:

(a) not later than one year after the Effective Date, carry out a study under Part A of the Project, under terms of reference satisfactory to the Bank, on the Borrower's tax legal framework, including the legislation related to tax enforcement;

(b) shortly after the conclusion of such study, furnish it to the Bank, for its review and comment;

(c) not later than 60 (sixty) days after the Bank shall have presented to the Borrower its comments on such study, prepare, based on the recommendations of such study and on the comments of the Bank thereon, a plan of action, satisfactory to the Bank, aiming at: (i) streamlining the Borrower's assessment, collection, refund and tax clearance procedures; (ii) restricting the Tax Administration discretion in the determination of tax liabilities; (iii) improving the Borrower's tax appellate system; and (iv) the imposition of penalties for non-compliance with tax obligations; and

(d) carry out such plan of action in a manner and under a timetable satisfactory to the Bank, provided, however, that, whenever such plan of action may require amendments to laws, the presentation of bills, satisfactory to the Bank, providing for such amendments to the Borrower's Parliament for approval, shall be considered sufficient for purposes of implementing such requirements of the plan of action.

Section 3.11. The Borrower shall adopt regulations, satisfactory to the Bank, for the leasing program under Part C.6 of the Project, including a standard leasing agreement, such regulations to provide, inter alia, that: (a) only staff and managers in the Tax Administration and involved in field operations shall be eligible for the leasing of vehicles; (b) the leasing term shall be not less than 4 years; (c) the lessee shall have the option to purchase the vehicle at the end of the leasing period; (d) the leasing agreement shall terminate in the event lessee ceases, for any reason, to work in the Tax Administration; (e) the lessee shall be responsible for the maintenance of the vehicle; and (f) the lessee shall keep the vehicle fully insured at all times.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and separate accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each Fiscal Year audited, in

accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than three months after the end of each such Fiscal Year, the report of such audit by said auditors, of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records and accounts and the audit thereof as the Bank shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Loan 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 Bank has received the audit report for the Fiscal Year in which the last withdrawal from the Loan Account or payment out of the Special Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Bank'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.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified, namely that the Tax Legislation or the Banking and Financial Institutions Acts or the Revenue Administration Act or the Revenue Board Act shall have been amended, suspended, abrogated, repealed or waived so as to affect, in the opinion of the Bank, materially and adversely the ability of the Borrower to carry out the Project or to perform any of its obligations under this Agreement.

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 Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

- (a) that the PCU shall have been established; and
- (b) that the Operational Manual shall have been adopted.

Section 6.02. The date October 18, 1994 is the terminal date for effectiveness of the Loan Agreement.

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:

Ministry of Finance
30 National Heroes Circle
Kingston 4
Jamaica

Telex:

2447 FINANCEJA

For the Bank:

International Bank for
Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

INTBAFRAD
Washington, D.C.

Telex:

197688 (TRT),
248423 (RCA),
64145 (WUI) or
82987 (FTCC)

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, United States of America, as of the day and year first above written.

JAMAICA

By /s/ Richard Bernal
Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By /s/ Shahid Javed Burki
Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

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

Category	Amount of the Loan Allocated (Expressed in Dollar Equivalent)	% of Expenditures to be Financed
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(1)(a) Goods except for Part C.6 of the Project	6,010,000	100% of foreign expenditures 100% of local expenditures (ex-factory cost)
(b) Vehicles for Part C.6 of the Project	1,000,000	and 85% of local expenditures for other items pro- cured locally
(2)(a) Consultants' services other than training	4,528,000	100%
(b) Training	519,000	100%
(3) Unallocated	1,143,000	
TOTAL	13,200,000 =====	

2. For the purposes of this Schedule:

(a) the term "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; and

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

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 to exceed \$100,000 equivalent, may be made in respect of Categories (1) and (2) of the table in paragraph 1 of this Schedule on account of payments made for expenditures before that date but after December 1, 1993;

(b) expenditures with respect to Part A of the Project, unless the bill establishing compulsory taxpayer registration referred to in Section 3.09 of this Agreement shall have been submitted to the Borrower's Parliament for approval;

(c) expenditures with respect to Part B of the Project, unless the Master Plan shall have been furnished to the Bank;

(d) expenditures with respect to Part C of the Project, unless the Tax and Information Bills shall have been submitted to the Borrower's Parliament for approval;

(e) expenditures under Category 1(b) of the table in paragraph 1 of this Schedule, unless the Borrower shall have adopted the regulations referred to in Section 3.11 of this Agreement; and

(f) expenditures with respect to Part D of the Project, unless the Borrower shall have selected, in a manner satisfactory to the Bank, the TACS to be installed.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure for expenditures under contracts for goods below the equivalent of \$25,000; and for contracts with firms for consultants' services below the equivalent of \$50,000, under such terms and conditions as the Bank shall specify by notice to the Borrower.

Description of the Project

The objective of the Project is to increase the Borrower's tax revenues through: (a) broadening the tax base; (b) improving the efficiency and effectiveness of the Tax Administration; (c) improving control of tax evasion; (d) improving tax collection systems; and (e) facilitating taxpayers' voluntary compliance with the Tax Legislation.

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

Part A: Broadening the Tax Base

1. Introduction of the TRN, including the development of a computerized system for assigning a registration number to taxpayers and recording information on the registered taxpayers.
2. Carrying out of surveys throughout the Borrower's territory, aimed at the detection and registration of potential taxpayers.
3. Revision of the Tax Legislation, including studies, aiming at broadening of the tax base by reducing exemptions, deductions and concessions.

Part B: Strengthening the Organization and Management of the Tax Administration

1. Organizational restructuring of the Tax Administration.
2. Improvement of human resources management and working conditions in the Tax Administration.
3. Improvement and strengthening of the Tax Administration management systems, including, inter alia, remodeling of strategic planning, monitoring and evaluation policies; reinforcement of internal audit and quality control functions; introduction of computerized administrative systems for planning, budgeting, accounting and personnel management.
4. Construction of Tax Administration offices.
5. Refurbishing and maintenance of Tax Administration offices.

Part C: Control of Tax Evasion

1. Strengthening the enforcement powers and access to information of the Tax Administration, including, inter alia, installation of computerized systems in the Assessment Department;
2. implementation of an improved audit selection policy and assessment and investigation methodologies;
3. training of auditors and investigators;
4. establishment of intelligence collection systems;
5. provision of vehicles and other equipment to strengthen operations of the Tax Administration; and
6. implementation of a program consisting of the leasing of vehicles to staff and managers in the Tax Administration involved in field operations, in order to provide them with adequate transportation for the performance of their duties.

Part D: Improvement of Tax Collection

Improvement of the Borrower's mechanisms to control tax returns and payment of taxes, through, inter alia:

1. installation of the TACS;
2. design and implementation of a plan for the detection, quantification and clearing of existing arrears in the payment of taxes; and

3. training of Tax Administration units' staff in the use of computer systems.

Part E: Voluntary Taxpayers Compliance

1. Revision of the Tax Legislation, aimed at simplifying procedural requirements and reducing the cost of compliance with legal requirements, improvement of the quality of services to taxpayers, including, inter alia:

- (a) simplification of forms and procedures;
- (b) dissemination of information related to tax regulations;
- (c) streamlining of collection, assessment, refund and tax clearance procedures; and
- (d) establishment of taxpayers assistance and education units.

2. Strengthening of the appellate system and establishment of grievance units reporting to the head of the respective Tax Administration unit.

3. Carrying out of taxpayer satisfaction surveys.

* * *

The Project is expected to be completed by June 30, 2000.
SCHEDULE 3

Amortization Schedule

Date Payment Due	Payment of Principal (expressed in Dollars)
On each January 1 and July 1 beginning on January 1, 2000 through July 1, 2011	550,000

Premiums on Prepayment

Pursuant to Section 3.04 (b) of the General Conditions, the premium payable on the principal amount of any maturity of the Loan to be prepaid shall be the percentage specified for the applicable time of prepayment below:

Time of Prepayment	Premium
	The interest rate (expressed as a percentage per annum) applicable to the Loan on the day of prepayment multiplied by:
Not more than three years before maturity	0.18
More than three years but not more than six years before maturity	0.35
More than six years but	0.65

not more than 11 years before maturity	
More than 11 years but not more than 15 years before maturity	0.88
More than 15 years before maturity	1.00

SCHEDULE 4

Procurement and Consultants' Services

Section I. Procurement of Goods

Part A: International Competitive Bidding

1. Except as provided in Part C hereof, goods shall be procured under contracts awarded in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1992 (the Guidelines).

(a) For fixed-price contracts, the invitation to bid referred to in paragraph 2.13 of the Guidelines shall provide that, when contract award is delayed beyond the original bid validity period, the successful bidder's bid price will be increased for each week of delay by two predisclosed correction factors acceptable to the Bank, one to be applied to all foreign currency components and the other to the local currency component of the bid price. Such an increase shall not be taken into account in bid evaluation.

(b) In the procurement of goods in accordance with this Part A the Borrower shall use relevant standard bidding documents issued by the Bank, with such modifications thereto as the Bank shall have agreed to be necessary for the purposes of the Project. Where no relevant standard bidding documents have been issued by the Bank, the Borrower shall use standard bidding documents based on other internationally recognized standard forms agreed with the Bank.

2. To the extent practicable contracts for:

(a) goods other than vehicles shall be grouped into bid packages estimated to cost the equivalent of \$500,000 or more; and

(b) vehicles shall be grouped into bid packages estimated to cost the equivalent of \$250,000 or more.

Part B: Preference for Domestic Manufacturers and Regional Manufacturers

1. For the purposes of evaluation and comparison of bids for the supply of goods: (a) bidders shall be required to state in their bid the c.i.f. (port of entry) price for imported goods, or the ex-factory price for domestically-manufactured goods; (b) customs duties and other import taxes on imported goods, and sales and similar taxes on domestically-supplied goods, shall be excluded; and (c) the cost to the Borrower of inland freight and other expenditures incidental to the delivery of goods to the place of their use or installation shall be included.

2. For goods manufactured in Jamaica and in member countries of CARICOM, the Borrower may grant a margin of preference in accordance with, and subject to, the following provisions:

(a) All bidding documents for the procurement of goods shall clearly indicate any preference which will be granted, the information required to establish the eligibility of a bid for such preference and the following methods and stages that will be followed in the evaluation and comparison of bids.

(b) After evaluation, responsive bids will be classified in one of the following groups:

(i) Group A: bids offering goods manufactured in Jamaica, if the bidder shall have established to the satisfaction of

the Borrower and the Bank that the manufacturing cost of such goods includes a value added in Jamaica equal to at least 20% of the Ex-factory bid price of such goods.

- (ii) Group B: all other bids offering goods from within Jamaica.
- (iii) Group C: bids offering goods manufactured in a country, other than Jamaica, which is a party to CARICOM and entitled to preferential tariffs thereunder.
- (iv) Group D: bids offering any other goods.

(c) All evaluated bids in each group shall be first compared among themselves, excluding any customs duties and other import taxes on goods to be imported and any sales or similar taxes on goods to be supplied domestically, to determine the lowest evaluated bid of each group. The lowest evaluated bid of each group shall then be compared with each other, and if, as a result of this comparison, a bid from group A or group B is the lowest, it shall be selected for the award.

(d) If, as a result of the comparison under paragraph (c) above, the lowest bid is a bid from group C or group D, all group C and group D bids shall be further compared with the lowest evaluated bid from group A or group B after adding to the c.i.f. bid price of the imported goods offered in each group C and group D bid, for the purposes of this further comparison only, an amount equal to the smaller of: (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 group C or group D bid; or (ii) 15% of the c.i.f. bid price of such goods if said customs duties and taxes exceed 15% of such price. If the group A bid or a group C bid is the lowest in such further comparison, it shall be selected for the award.

(e) If, as a result of the further comparison under paragraph (d) above, a bid from group D is the lowest, all group D bids shall be finally compared with the lowest bid from group C, as determined under paragraph (c) above, after adding to the c.i.f. bid price of goods to be imported offered in each group D bid, for the purposes of this final comparison only, an amount equal to the smaller of: (i) the difference between the amount of customs duties and other import taxes which would actually be payable for the importation of goods offered in such group D bid and for the importation of goods offered in the group C bid; or (ii) 15% of the c.i.f. bid price of goods to be imported offered in such group D bid. If the lowest bid in such comparison is the group C bid, it shall be selected for purposes of award; if not, the lowest bid from group D, as determined under paragraph (c) above, shall be selected for purposes of award.

Part C: Other Procurement Procedures

1. Goods estimated to cost the equivalent of \$25,000 or less per contract, up to an aggregate amount equivalent to \$120,000, may be procured under contracts awarded on the basis of comparison of price quotations obtained from at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Bank.

2. Database management computer software contracts for the TACS, up to an aggregate amount equivalent to \$200,000, may be procured by direct contracting, in accordance with procedures satisfactory to the Bank.

Part D: Review by the Bank of Procurement Decisions

1. Review of invitations to bid and of proposed awards and final contracts:

(a) With respect to each contract for goods awarded under Part A hereof the procedures set forth in paragraphs 2 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, such procedures shall be modified to ensure that the two conformed copies of the contract required to be furnished to the Bank pursuant to said paragraph 2 (d) shall be furnished to the Bank prior to the making of the first payment out of the Special Account in respect of such contract.

(b) With respect to each contract not governed by the preceding

paragraph, the procedures set forth in paragraphs 3 and 4 of Appendix 1 to the Guidelines shall apply. Where payments for such contract are to be made out of the Special Account, said procedures shall be modified to ensure that the two conformed copies of the contract together with the other information required to be furnished to the Bank pursuant to said paragraph 3 shall be furnished to the Bank as part of the evidence to be furnished pursuant to paragraph 4 of Schedule 5 to this Agreement.

2. The figure of 10% is hereby specified for purposes of paragraph 4 of Appendix 1 to the Guidelines.

Section II. Employment of Consultants

1. In order to assist the Borrower in the carrying out of the Project, the Borrower shall employ consultants whose qualifications, experience and terms and conditions of employment shall be satisfactory to the Bank. Such consultants shall be selected in accordance with principles and procedures satisfactory to the Bank on the basis of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time based-assignments, the Borrower shall employ such consultants under contracts using the standard form of contract for consultant's services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, the Borrower shall use other standard forms agreed with the Bank.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to contracts estimated to cost less than \$50,000 equivalent each. However, this exception to prior Bank review shall not apply to the terms of reference for such contracts nor to the first three contracts for consultants' services to be financed with the proceeds of the Loan, to the employment of individuals, to single source selection of firms, to assignments of a critical nature, as reasonably determined by the Bank, and to amendments of contracts raising the contract value to \$50,000 equivalent or above.

SCHEDULE 5

Special Account

1. For the purposes of this Schedule:

(a) the term "Eligible Categories" means Categories (1) and (2) 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 Loan 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 \$400,000 to be withdrawn from the Loan Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

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 Bank 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 Bank a request or requests for a deposit or deposits which do not exceed the aggregate amount of the Authorized Allocation. On the basis of such request or requests, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit in 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 Bank requests for deposits into the Special Account at such intervals as the Bank shall specify.
- (ii) Prior to or at the time of each such request, the Borrower shall furnish to the Bank 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 Bank shall, on behalf of the Borrower, withdraw from the Loan 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 Bank from the Loan 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 Bank shall reasonably request, furnish to the Bank 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 Bank shall not be required to make further deposits into the Special Account:

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

(b) once the total unwithdrawn amount of the Loan allocated to the Eligible Categories, less the amount of any outstanding special commitment entered into by the Bank 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 Loan Account of the remaining unwithdrawn amount of the Loan allocated to the Eligible Categories shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank 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 Bank 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 Bank, the Borrower shall, promptly upon notice from the Bank: (A) provide such additional evidence as the Bank may request; or (B) deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. Unless the Bank shall otherwise agree, no further deposit by the Bank 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 Bank 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 Bank, refund to the Bank such outstanding amount.

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

(d) Refunds to the Bank made pursuant to paragraphs 6 (a), (b) and (c) of this Schedule shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the relevant provisions

of this Agreement, including the General Conditions.

SCHEDULE 6

IMPLEMENTATION TIMETABLE

[Refer to hard copy for Implementation Timetable]

