

CONFORMED COPY

CREDIT NUMBER 3184-TA

Development Credit Agreement

(Tax Administration Project)

between

THE UNITED REPUBLIC OF TANZANIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated August 4, 1999

CREDIT NUMBER 3184-TA

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated August 4, 1999, between THE UNITED REPUBLIC OF TANZANIA (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, has requested the Association to assist in the financing of the Project;

(B) the Borrower has obtained or intends to obtain from various donors (hereinafter called the Financiers) grants and loans to assist in financing the Project on the terms and conditions set forth or to be set forth in various agreements (hereinafter called the Financing Agreements) entered into or to be entered into between the Borrower and the Financiers; 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 December 2, 1997 and with the modifications set forth below (the General Conditions) constitute an integral part of this Agreement.

(a) A new paragraph 12 is added to Section 2.01 to read as set forth below, and the existing paragraphs 12 through 14 of said Section are accordingly renumbered as paragraphs 13 through 15:

"12. 'Participating Country' means any country that the Association determines meets the requirements set forth in Section 10 of Resolution No. 183 of the Board of Governors of the Association, adopted on June 26, 1996; and 'Participating Countries' means, collectively, all such countries."

(b) The second sentence of Section 5.01 is modified to read:

"Except as the Borrower and the Association shall otherwise agree, no withdrawals shall be made: (a) on account of expenditures in the territories of any country which is not a Participating Country or for goods produced in, or services supplied from, such territories; or (b) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the knowledge of the Association, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations."

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) "Eligible Categories" means categories (1), (2), (3) and (4); set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(b) "Eligible Expenditures" means the expenditures for goods, works and services referred to in Section 2.02 (a) of this Agreement;

(c) "Fiscal Year" means the fiscal year of the Borrower which commences on July 1 and ends on June 30 of the following year;

(d) "MOF" means the Borrower's Ministry of Finance;

(e) "Project Account" means the account referred to in Section 3.03 (a) of this Agreement;

(f) "PIP" means the Project implementation plan referred to in paragraph 1 of Schedule 4 to this Agreement and such term includes any schedules to the PIP;

(g) "PCU" means the Project coordination unit to be established pursuant to paragraph 2 of Schedule 4 to this Agreement;

(h) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(i) "Project Preparation Advance" means the project preparation advance granted by the Association to the Borrower pursuant to an exchange of letters, dated December 20, 1996 and February 26, 1997 between the Borrower and the Association;

(j) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement;

(k) "TRA" means Tanzania Revenue Authority, a semi-autonomous agency of the Borrower established pursuant to the Tanzania Revenue Authority Act, No. 11 of 1995 to assess, collect and account for revenue on behalf of the Borrower, administer as well as enforce tax laws, provide advice to the Borrower on fiscal policy and the administration of such policy and develop an efficient and fair tax regime; and

(1) "Tanzania Shilling" and "Tsh" mean the currency of the Borrower.

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 twenty eight million six hundred thousand Special Drawing Rights (SDR 28,600,000).

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, works and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) 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 December 31, 2004 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 March 15 and September 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 semi-annual installments payable on each March 15 and September 15 commencing September 15, 2009 and ending March 15, 2039. Each installment to and including the installment payable on March 15, 2019 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. (a) 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 TRA with due diligence and efficiency and in conformity with appropriate administrative, financial, and tax administration practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Borrower and the Association shall otherwise agree, the Borrower shall carry out the Project in accordance with the Implementation Program set forth in Schedule 4 to this Agreement.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods, works, and consultant 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 3.03. Without limitation to its obligations under Section 3.01 of this Agreement, the Borrower shall:

(a) open and maintain an account (the Project Account) in Tanzania Shillings in a commercial bank acceptable to the Association on terms and conditions satisfactory to the Association;

(b) promptly thereafter, make an initial deposit into such account, in an amount equivalent to \$400,000 to finance the Borrower's contribution to the Project;

(c) deposit into the Project Account by January 15, April 15, July 15 and October 15 in each year during Project implementation, such amounts as shall be required to timely replenish the Project Account back to the amount of the initial deposit referred to in paragraph (b) above or such larger amount as may be required to cover the estimated amount of expenditures not to be financed out of the proceeds of the Credit in the following quarter, or any other amount required for the Project, as agreed between the Borrower and the Association in each of the work plans and budgets to be established in accordance with the provisions of Section 6.01 (b) and paragraph 3 (c) of Schedule 4 to this Agreement; and

(d) use the Project Account funds exclusively to finance expenditures under the Project and not otherwise financed out of the proceeds of the Credit.

Section 3.04. For the purposes of Section 9.07 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 for the future operation of the Project; and

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

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained 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 of the TRA (including separate records, accounts and statements in respect of the operations, resources and expenditures related to the Project) and the operations, resources and expenditures related to the Project of any other departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

(i) have the records and 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 appropriate auditing principles 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 six 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 said records and accounts and the audit thereof as the Association shall 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 Project Management Reports, the Borrower shall:

(i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and 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 Project Management Reports 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.

procedures and internal controls upon to support the

Section 4.02. The Borrower shall prepare, in accordance with guidelines acceptable to the Association, and furnish to the Association not later than 45 days after the end of each calendar quarter, a report (herein referred to as the Project Management Report) for such period, which:

(a) (i) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and (ii) shows separately expenditures financed out of the proceeds of the Credit during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Credit during the six-month period following the period covered by said report;

(b) (i) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and (ii) explains variances between the actual and previously forecast implementation targets; and

(c) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Credit, as at the end of the period covered by said report.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (1) of the General Conditions, the following additional event is specified:

(a) (i) subject to subparagraph (ii) of this paragraph:

(A) the right of the Borrower to withdraw the proceeds made available or to be made available under any of the Financing Agreements or of any other grant or loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or

(B) any such loan shall have become due and payable prior to the agreed maturity thereof; and

(ii) subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (1) of the General Conditions, the following additional event is specified, namely that the event specified in paragraph (a) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (ii) of that Section.

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) The Borrower has established the PCU with staffing and terms of reference satisfactory to the Association.

(b) The Borrower has adopted the PIP in form and substance acceptable to the Association and has furnished to the Association a work plan and budget for the Project acceptable to the Association for Fiscal Year ending June 30, 2000.

(c) The Borrower has furnished to the Association terms of reference satisfactory to the Association for all consultant services estimated to commence within the first year of Project implementation.

(d) The Borrower has established the Project Account and deposited therein the initial deposit referred to in Section 3.03 (b) of this Agreement.

(e) The Borrower has adopted a time bound action plan acceptable to the Association for restructuring the TRA.

(f) The Borrower has furnished to the Association a time bound action plan acceptable to the Association for the establishment of a common tax claims appeals machinery independent of the TRA.

Section 6.02. The date ninety (90) days after the date of this Agreement 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 the Borrower at the time responsible for finance 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
P.O. Box 9111
Dar es Salaam
Tanzania

Cable address:

Telex:

41329

For the Association:

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

Cable address:

Telex:

INDEVAS
Washington, D.C.

248423 (MCI) or
64145 (MCI)

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.

THE UNITED REPUBLIC OF TANZANIA

By /s/ Mustafa Nyang'anyi

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Praful Patel

Acting Regional Vice President
Africa

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

A. General

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:

Category	Amount of the Credit Allocated (Expressed in SDR Equivalent ⁰)	% of Expenditures to be Financed
(1) Civil works	6,650,000	100% of foreign expenditures and 90% of local expenditures
(2) Consultant services	3,900,000	100%
(3) Training	2,250,000	100%
(4) Goods	10,900,000	100% of foreign expenditures and 90% of local expenditures
(5) Refunding of Project Preparation Advance	1,400,000	Amounts due pur- suant to Section 2.02 (b) of this Agreement
(6) Unallocated	3,500,000	
	<hr/>	
TOTAL	28,600,000 =====	

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 payments made for expenditures prior to the date of this Agreement.

B. Special Account

1. The Borrower shall open and maintain in a commercial bank acceptable to the Association, a special deposit account on terms and conditions satisfactory to the Association, including appropriate protection against set-off, seizure and attachment. Except as the Association may otherwise specify by notice to the Borrower, all withdrawals from the Credit Account shall be deposited by the Association into the Special Account in accordance with the provisions of this Schedule. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. 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.

2. Except as the Association shall otherwise agree, after the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals from the Credit Account of amounts to be deposited into the Special Account shall be made as follows:

(a) Each application for withdrawal from the Credit Account shall be supported by a Project Management Report.

(b) Upon receipt of each application for withdrawal of an amount of the Credit, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit into the Special Account an amount equal to the lesser of: (i) the amount so requested; and (ii) the amount which the Association has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said report to be remaining in the Special Account, shall not exceed the equivalent of \$ 4,000,000. Each such deposit into the Special Account shall be withdrawn by the Association from the Credit Account under one or more of the Special Account's Eligible Categories.

3. Notwithstanding the provisions of Part B.2 of this Schedule, the Association shall not be required to make further deposits into the Special Account:

(a) if the Association determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Association determines at any time that all further withdrawals should be made by the Borrower directly from the Credit Account; or

(c) 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 (A) the records and accounts for the Special Account or (B) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

4. The Association shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule 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 Section 6.02 of the General Conditions. Upon such notification, the Association shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

5. (a) If the Association determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Association, the Borrower shall, promptly upon notice from the Association, provide such additional evidence as the

Association may request, or 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.

(b) If the Association determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, 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 sub-paragraph (a), (b) or (c) of this paragraph 5 shall be credited to the Credit Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Development Credit Agreement.

SCHEDULE 2

Description of the Project

The objective of the Project is to assist the Borrower to improve revenue collection within its territories by: (i) improving the legal framework for tax collection and administration; (ii) broadening the tax base within the jurisdiction of the Borrower; and (iii) strengthening the capacity of the TRA in order to increase its efficiency and effectiveness in tax collection.

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: Improving the Legal Framework

1. Updating, amending, consolidating and, where necessary, enacting new laws and regulations related to taxes and customs in order to:

(a) reflect the socio-economic and other changes that have occurred in the territory of the Borrower;

(b) rationalize the number of deductions, exemptions and concessions granted to tax payers and simplify procedural requirements;

(c) increase the level of sanctions provided for in the Borrower's tax laws in order to reduce the incidence of tax evasion;

(d) establish a legal and regulatory framework for a Taxpayer Identification Number (TIN), including provisions to ensure that it is used universally and consistently; and

(e) establish a legal framework for a consolidated tax claim appeals machinery independent of the TRA.

2. Publishing and distributing the laws referred to in the previous paragraph in order to facilitate the work of the TRA in collecting tax revenues and to facilitate voluntary compliance by informing tax payers of the relevant legal obligations.

Part B: Broadening the Tax Base

1. Carrying out surveys by the TRA and other agencies of the Borrower involved in tax collection in order to identify potential tax payers and to identify new areas of economic activity to be taxed.

2. Developing a system for the sharing of information related to tax collection between the various agencies of the Borrower.

3. Establishment of the TIN, including acquisition of computer hardware and software and provision of technical advisory services and staff training.

Part C: Strengthening the Institution

Strengthening the capacity of the TRA to collect taxes and to administer tax revenue (including strengthening its investigation, audit and assessment capabilities) through:

1. introducing computerized management and operations systems to all TRA departments, including acquisition of computer and other equipment and training of staff required to operate such equipment; and
2. providing training to TRA staff, implementing the salary structure and incentive scheme referred to in Section 6.01 (e) of this Agreement and introducing performance contracts.

Part D: Infrastructure Improvements

1. Rehabilitating and refurbishing of offices of the TRA.
2. Acquisition of equipment for such offices.
3. Construction of a regional TRA office in Arusha.

* * *

The Project is expected to be completed by June 30, 2004.

SCHEDULE 3

Procurement and Consultant Services

Section I. Procurement of Goods and Works

Part A: General

1. Goods and works shall be procured in accordance with:

(a) 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 and September 1997 and January 1999 subject to the modifications thereto set forth in Paragraph 2 of this Part A (the Guidelines); and

(b) the provisions of the following Parts of this Section I.

2. In paragraphs 1.6 and 1.8 of the Guidelines, the references to "Bank member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country."

Part B: International Competitive Bidding

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

2. The following provisions shall apply to goods and works to be procured under contracts awarded in accordance with the provisions of paragraph 1 of this Part B.

(a) Grouping of contracts

To the extent practicable, contracts for goods shall be grouped in bid packages estimated to cost \$100,000 equivalent or more each.

(b) Preference for domestically manufactured goods and domestic contractors

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower and works to be carried out by domestic contractors.

(c) Notification and Advertising

The invitation to prequalify or bid for each contract estimated to cost \$10,000,000 equivalent or more shall be advertised in accordance with the procedures applicable to large contracts under paragraph 2.8 of the Guidelines.

Part C: Other Procurement Procedures

1. National Competitive Bidding

Goods estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount not to exceed \$ 1,000,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

2. Shopping

Goods estimated to cost less than \$ 30,000 equivalent per contract, up to an aggregate amount not to exceed \$ 100,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

Part D: Review by the Association of Procurement Decisions

1. Procurement Planning

Prior to the issuance of any invitations to prequalify for bidding or 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 and works 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

With respect to each contract procured under national competitive bidding procedures or goods estimated to cost the equivalent of \$100,000 or more the procedures set forth in paragraphs 2 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

1. Consultant services shall be procured in accordance with the provisions of the Introduction and Section 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 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

2. In paragraph 1.10 of the Consultant Guidelines, the reference to "Bank Member countries" and "member country" shall be deemed to be references, respectively, to "Participating Countries" and "Participating Country".

Part B: Quality- and Cost-based Selection

1. Except as otherwise provided in Part C of this Section, consultant services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

2. The following provisions shall apply to consultant services to be procured under contracts awarded in accordance with the provisions of the preceding paragraph. The short list of consultants for services estimated to cost less than \$100,000 equivalent per contract, may comprise entirely national consultants in accordance with the provisions of paragraph 2.7 of the Consultant Guidelines.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants Qualifications

Services estimated to cost less than \$100,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines.

2. Individual Consultants

Services for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines.

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

1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines. Selection of all consultant services shall be undertaken in accordance with such selection 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 the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$50,000 or more, but less than the equivalent of \$100,000, the procedures set forth in paragraphs 1, 2 (other than the second subparagraph of paragraph 2 (a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(c) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, 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.

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

Implementation Program

1. The Borrower shall:

(a) prepare and furnish to the Association, an implementation plan satisfactory to the Association for the Project setting out: (i) the details of all procurement and disbursement arrangements; (ii) the performance indicators; and (iii)

such other administrative, financial and organizational arrangements as shall be required; and

(b) carry out the Project in accordance with the provisions of this Schedule and the procedures set out in the PIP, and shall not, except as the Association may otherwise agree, amend or waive any provision thereof which, in the opinion of the Association, may adversely and materially affect the implementation of the Project.

2. For the purposes of coordinating the Project, the Borrower shall establish a unit within the TRA with staffing and terms of reference satisfactory to the Association. The PCU shall be responsible for:

(a) preparing and updating procurement plans for the Project;

(b) coordinating the implementation of the various components of the Project in accordance with sound financial management practices, including procurement, disbursement, accounting and auditing of accounts; and

(c) monitoring the implementation of the Project and preparing progress reports.

3. The Borrower shall:

(a) not later than February 28 in each year, commencing in the year 2000, submit to the Association for its review and comments, a draft annual work plan and supporting budget for the Project for the succeeding Fiscal Year;

(b) not later than March 31 in each such year: (i) review with the Association the documents referred to in the preceding paragraph; (ii) identify implementation issues and propose appropriate solutions; and (iii) update Project timetables and performance indicators;

(c) not later than April 30 in such each year, furnish to the Association the work plan and budget referred to in paragraph (a) hereof, as such plan and budget shall have been revised to the satisfaction of the Association in the course of the review referred to in paragraph (b) hereof and, except as the Association shall otherwise agree, carry out the Project in the year in question on the basis of the said work plan and budget, as so revised; and

(d) for the period preceding July 1, 2000, carry out the Project in accordance with the work plan and budget referred to in Section 6.01 (b) of this Agreement.

4. The Borrower shall:

(a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the indicators agreed upon between the Borrower and the Association, 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 by November 30, 2000 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 the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date;

(c) review with the Association, by December 31, 2000, or such later date as the Association shall request, the report referred to in the preceding subparagraph, and, thereafter, take all 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 report and the Association's views on the matter;

(d) prepare, under terms of reference satisfactory to the Association and furnish to the Association, by May 31, 2002, 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 the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(e) review with the Association, by June 30, 2002, or such later date as the Association shall request, the report referred to in the preceding subparagraph, and, thereafter, take all 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 report and the Association's views on the matter.

5. The Borrower shall carry out all training, workshops and study tours under the Project on the basis of programs, which shall have been approved by the Association on a quarterly basis, and which shall, inter alia, identify (a) the training, workshops and study tours envisaged, (b) the personnel to be trained, (c) the institution which will conduct the training, (d) the duration of the proposed training and (e) an estimate of the cost.

6. The Borrower shall submit to its Parliament for approval:

(a) by December 31, 1999, the draft laws required under Part A.1 (b) of the Project; and

(b) by April 30, 2001, the draft laws required under Parts A.1 (a), (c), (d) and (e) of the Project.

7. The Borrower shall, by December 31, 1999 or such other date as may be agreed upon between the Borrower and the Association, adopt and implement a duty drawback system satisfactory to the Association.

