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The World Bank
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

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June 30, 2017

The Honourable Audley Shaw, CD, MP
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4, Jamaica

Re: Jamaica: Strategic Public Sector Transformation Project
(Loan Number: 8406-JM)
Amendment No. 1 to the Loan Agreement

Dear Minister Shaw:

We refer to the Loan Agreement (Agreement), dated September 3, 2014, between Jamaica ("Borrower") and the International Bank for Reconstruction and Development ("Bank"). We also refer to a letter from Mr. Everton McFarlane, Financial Secretary at the Ministry of Finance and the Public Service, Jamaica, dated May 19, 2017, addressed to the Bank requesting specific amendments to cater for the institutional arrangement changes, addition and removal of selected activities, reallocation of funds, and changes to the results framework of the Project.

We are pleased to inform you that the Bank concurs with your request and proposes to amend the Agreement in respect of the provisions as follows:

1. Article 3.01 of the Agreement is amended to read as follows:

   "3.01. The Borrower declares its commitment to the objective of the Project. To this end, the Borrower shall carry out the Project, through MOFP, with the participation of: (a) AGD in respect of Part 4 of the Project; and (b) BSJ in respect of Part 5 of the Project, all in accordance with the provisions of Article V of the General Conditions and the pertinent MOUs."

2. Article 4.01 of the Agreement is amended to read as follows:

   "4.01. (a) The BSJ Legislation, shall have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the Bank and after consultation with the Borrower, the ability of BSJ, to perform any of its obligations under the pertinent MOU."

   (b) BSJ shall, in the opinion of the Bank and after consultation with the Borrower, has failed to comply with any of its obligations under the respective MOU."

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3. Schedule 1 (Project Description) of the Agreement is deleted in its entirety and replaced with the Annex 1 to this Amendment Letter.

4. Section I.A.2 of Schedule 2 to the Agreement is amended to read as follows:

   "2. For purposes of providing general Project oversight and coordination, the Borrower shall, not later than three (3) months after the Effective Date, establish, and thereafter operate and maintain throughout the implementation of the Project, a committee (the Steering Committee), with functions, responsibilities and composition including representatives of MOFP, PIOJ, AGD and BSJ, all acceptable to the World Bank and as set forth in the Operational Manual."

5. Section I.C.1 of Schedule 2 to the Agreement is amended to read as follows:

   "1. The Borrower shall adopt, and thereafter carry out the Project in accordance with the provisions of a manual (the Operational Manual), which shall include, *inter alia*:

   (a) a detailed description of Project activities and institutional arrangements for the Project;

   (b) the Project administrative, accounting, auditing, reporting, financial (including cash flow aspects in relation thereto and separate audit requirements for expenditures under the EEPs), procurement and disbursement procedures;

   (c) the institutional and administrative mechanisms established to ensure inter-institutional coordination;

   (d) the functions, responsibilities and composition of the Steering Committee;

   (e) the criteria for the selection of activities under Part 3 of the Project;

   (f) detailed procedures for the review and approval of Loan withdrawal applications to be furnished to the Bank, in conformity with the additional instructions, and including the criteria for the preparation of EEPs Spending Reports; and

   (g) the procedures for the monitoring, evaluation and reporting of Project implementation, including the monitoring indicators and guidelines, and the Verification Protocols to confirm DLI achievement."

6. Section III of Schedule 2 to the Agreement is amended to read as follows:

   "Section III. Procurement

   All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan."

7. Section IV of Schedule 2 to the Agreement is deleted in its entirety and is replaced with Annex 2 to this Amendment Letter.

8. Appendix to the Agreement is deleted in its entirety and is replaced with Annex 3 to this Amendment Letter.

9. All other provisions of the Agreement that have not been amended, shall remain unchanged and in full force and effect.

Please confirm the Borrower's agreement with the foregoing Amendment letter by signing, dating and returning to us the enclosed copy of this Amendment letter. Upon receipt by the Bank of the countersigned copy of this Amendment letter, this Amendment letter will become effective as of the date of the countersignature.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By: _____
P.P. Tahseen Sayed
Regional Director, Caribbean
Latin America and the Caribbean Region

AGREED:

JAMAICA

By _____
Authorized Representative

Name: Audley Shaw

Title: Minister of Finance and the Public Service

Date: August 4, 2017

Annex 1

"SCHEDULE 1

Project Description

The objective of the Project is to strengthen public resource management and support selected public sector institutions in facilitating a more enabling environment for private sector growth.

The Project consists of the following parts:

Part 1: Strengthening the Public Investment Management System

(a) Design and implementation of a Public Investment Management System ("PIMS") through: (i) the development of an information technology platform which will provide information of public investment across the public investment cycle and link said information to the Borrower's budget and financial systems; (ii) the migration of the Borrower's web-based database to the PIMS information system; and (iii) the carrying out of capacity building activities to improve the Borrower's public investment and analytical capacity for implementation of the PIMS.

(b) Design and implementation of a public investment management training program for public sector employees through: (i) the design of the public investment management training modules; (ii) training on public investment preparation; (iii) training for Project management; and (iv) training on public investment monitoring.

(c) Reviewing legislation and carrying out dissemination activities to integrate the PIMS with the Borrower's administrative systems, including: (i) the Borrower's procurement system; and (ii) the Borrower's human resources system.

(d) Strengthening the monitoring of public investment through citizen participation, including the carrying out of external audits of projects and public investment performance surveys.

(e) (i) Designing a fund for the funding of pre-investment financial and economic analysis and post-investment evaluations of the Borrower's public investments; and (ii) carrying out: (A) pre-investment financial and economic analysis of the Borrower's proposed public investments to identify priority public investments based on the Borrower's long-term development agenda; and (B) post-investment evaluations of the effectiveness of the Borrower's completed public investments.

(f) Provision of technical assistance for the implementation of the Public Financial Management Action Plan.

Part 2: Strengthening the Budget Preparation Process and Results-Based Budgeting

(a) Updating the Borrower's budget manual to include: (i) guidelines to align annual and medium-term budgeting; (ii) procedures for budget preparation and execution; and (iii) guidelines on the new budget preparation cycle.

(b) Institutionalizing baseline forward estimates in the Borrower's budget preparation process.

(c) Developing and implementing procedures to: (i) achieve better resource allocation through greater aligning of policy, planning and budgeting in MDAs; (ii) incorporate procurement planning into the planning process and linking procurement plans to the budget process; (iii) set medium-term expenditure ceilings for MDAs; (iv) improve alignment of recurrent budgets with public investment expenditures; and (v) carry out a review of human resources required by the Borrower's budget office.

(d) Provision of Training on results-based budgeting to the Borrower's staff, selected pursuant to the criteria set forth in the Operational Manual.

(e) Carrying out a review of the staffing levels in selected MDAs to obtain accurate employee numbers and compensation costs for on-going budget preparation and execution.

(f) Establishment of a participatory budgeting process through the carrying out of thematic meetings including citizens, NGOs, universities and business representatives.

Part 3: Adaptive Public Sector Approaches to Promote Fiscal Sustainability

(a) Supporting the Borrower's change management process to implement public sector reforms on the public investment management system, the budget preparation process and results-based budgeting, property tax compliance and administration, and industrial growth and trade facilitation, all through the carrying out of activities selected following the procedures and criteria set forth in the Operational Manual, including:

(i) the carrying out of a consultation process within the Borrower's public sector to assess the status of implementation of public sector reforms;

(ii) the improvement of the Borrower's communication and feedback mechanisms to strengthen the interrelationships within the Borrower's public sector;

(iii) the identification and implementation of activities to support the sustainability of public sector reforms; and

(iv) (A) the identification and assessment of activities to address challenges in the implementation of public sector reforms; and (B) based on said assessment, the design and implementation of a strategy to carry out said activities.

(b) Provision of technical assistance to the Borrower to address public sector transformation activities through the carrying out of activities selected following the procedure and criteria set forth in the Operational Manual, including:

(i) the carrying out of an analysis of the Borrower's governance and accountability framework;

(ii) the provision of support to assist the Borrower in achieving its public sector reforms related to the Project including change management, as set forth in the Operational Manual; and

(iii) the carrying out of an analysis of the Borrower's trade facilitation capacity and mechanism to streamline said process to enhance its efficiency and effectiveness.

Part 4: Modernizing of the Accountant General's Department

Provision of financing of payments under the Eligible Expenditure Program (EEP) in support of modernizing the AGD, in accordance with the provisions set forth in Section IV of Schedule 2 to this Agreement, including: (a) developing a conceptual model of the treasury single account, clarifying its scope, coverage and main operational processes; (b) reforming the organizational structure of AGD; (c) improving the central treasury management system's general ledger capabilities to provide the required level of controls and information; and (d) training to build the treasury's capacity in cash forecasting and management.

Part 5: Fostering Industrial Growth and Trade Facilitation

Provision of technical assistance to BSJ through: (a) the carrying out of a review of BSJ's testing and certification procedures to ensure compliance with the Borrower's international and regional trade agreements and standards, including the WTO TBT and the CROSQ standards; (b) the carrying out of capacity building activities to improve BSJ's service orientation; and (c) capacity building activities to improve NCRA's service orientation with the specific aim of reducing barriers to trade and activities to build a national culture of quality.

Part 6: Project Management

Provision of support on Project management to: (a) carry out Project audits; (b) comply with the financial management and procurement obligations under the Project; (c) monitor and evaluate Project activities; and (d) provide Training and the acquisition of goods required thereof and finance Operating Costs."

"Section IV. **Withdrawal of Loan Proceeds**

A. General

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

Category	**Amount of the Loan Allocated (expressed in USD)**	**Percentage of Expenditures to be financed (inclusive of Taxes)**
(1) Goods, consultants' services, Training and Operating Costs under Parts 1(a), 1(b)(i), 1(b)(ii), 1(b)(iii), 1(b)(iv), 1(c)(i), 1(c)(ii), 1(d), 1(e)(i), 1(e)(ii), 1(f), 2(a), 2(b), 2 (c)(i), 2(c)(ii), 2(c)(iii), 2(c)(iv), 2(c)(v), 2(d), 2(e), 2(f), 3, 5 and 6 of the Project	28,912,500	100%
(2) Front-end Fee	87,500	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07(b) of the General Conditions
(3) Interest Rate Cap or Interest Rate Collar premium	0	Amount due pursuant to Section 2.07(c) of this Agreement
(4) Payments for EEP under Part 4 of the Project	6,000,000	100% of DLIs achieved as per Section IV.B.1(b) of Schedule 2 to this Agreement
TOTAL AMOUNT	35,000,000	

3. For the purposes of this Section, the following terms will have the following meanings:

   (a) "Operating Costs" means the reasonable incremental expenses, as shall have been approved by the Bank, incurred by the Borrower with respect to Project implementation, management and monitoring, including the salaries of staff assigned to the PIU (excluding

salaries of the Borrower's civil service staff), communication, editing, printing and publication, translation, vehicle operation and maintenance, bank charges, local travel costs and field trip expenses, office equipment and rentals, utilities, non-durable goods and supplies.

(b) "Training" means the reasonable costs, as shall have been approved by the Bank, for training and workshops conducted under the Project, including tuition, visa, travel *per diem* and hotels and subsistence costs for training and workshop participants, and costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training and to workshop activities.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

(a) for payments made prior to the date of this Agreement; or

(b) for payments under Category (4) with respect to each DLI, as set forth in the table below, for which a withdrawal request has been submitted, unless the Recipient, through MOFP, has also submitted: (i) evidence, in form and substance satisfactory to the Bank, of EEPs incurred, as presented in a EEPs Spending Report; and (ii) supporting documentation confirming the Recipient's achievement of the respective DLI or DLIs in form and substance, as further elaborated in the additional instructions and as set forth in the Verification Protocols.

Disbursement Link Indicator (DLI) **(Baseline = 5 FARs already produced as of date of this Amendment Letter)**	**Withdrawal ceiling (expressed in USD)**
(1) At least one (1) more FAR produced before December 1, 2017	$600,000
(2) Four (4) more FARs produced before December 1, 2018	$2,400,000
(3) Five (5) more FARs produced before December 1, 2019	$3,000,000

2. Notwithstanding the provisions of paragraphs B.1 (b) of this Section, in the case of Scalable DLIs (DLIs (2) and (3)), the Borrower may request partial disbursement of the amount allocated to each Scalable DLI, for amounts corresponding to the degree of achievement for the respective Scalable DLI, calculated in accordance with the procedures set forth in the Operational Manual and additional instructions.

3. If, at any time, the World Bank determines that any portion of the amounts disbursed by the Borrower under Category (4) was made: (a) for expenditures which are not eligible under the EEP; or (b) not in compliance with the provisions of this Section, the Borrower shall promptly refund any such amount to the Bank as the World Bank shall specify by notice to the Borrower. The Bank shall cancel such refunded amount.

4. The Closing Date is January 31, 2020."

Annex 3

"APPENDIX

Definitions

1. "AGD" means the Borrower's Accountant General's Department.

2. "Anti-Corruption Guidelines" means the "Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants", dated October 15, 2006 and revised in January 2011.

3. "BSJ Legislation" means the Borrower's Standards Act, as amended to the date of this Agreement.

4. "BSJ" means Bureau of Standards Jamaica, the Borrower's bureau of standards established as a statutory body in 1969, pursuant to the BSJ Legislation, or any legal successor thereto.

5. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

6. "CROSQ" means the Caribbean Community and Common Market's (CARICOM) Regional Organization for Standards and Quality.

7. "Disbursement-Linked Indicator" or "DLI" means, an indicator, set forth in the table in Section IV.B.1 (b) in Schedule 2 to this Agreement.

8. "EEP" means "Eligible Expenditures Program", namely a portion of the budgetary allocation under Object 21 for AGD and MoFPS' under the Borrower's Economic and Fiscal Policies and Management Program.

9. "EEPs Spending Report" means the report prepared by the Borrower in accordance with the additional instructions and set forth in the Operational Manual, as referred to in Section IV.B.1 (b) of Schedule 2 to this Agreement, on the spending status of the EEPs in relation to the Object 21.

10. "Financial and Accounting Reports" or "FARs" means the specific reports produced by AGD for the purposes of providing a consolidated view of the Borrower's daily cash position, credible forecasts for short-term cash flows, and as comprehensive record of the Borrower's financial transactions, as further referred to in additional instructions.

11. "Fiscal Policy and Management Program" means the Borrower's program finalized for each fiscal year, which consists of activities related to management of economic resources, collection and accounting for revenues, and financial reporting.

12. "General Conditions" means the "International Bank for Reconstruction and Development General Conditions for Loans", dated March 12, 2012.

13. "ICT" means information and communications technology.

14. "MDAs" means any of the Borrower's ministries, departments and agencies.

15. "Memorandum of Understanding" or "MOU" means any of the agreements referred to in Section I.B.1 of Schedule 2 to this Agreement, and collectively referred to as "MOUs".

16. "MOFP" means the Borrower's Ministry of Finance and Planning, the Project executing entity.

17. "NCRA" means the Borrower's National Compliance and Regulatory Agency.

18. "NGO" means non-governmental organization.

19. "Object 21" means approved budget line for compensation of employees under the Borrower's Fiscal Policy and Management Program, as the same may be amended from time to time in agreement with the Bank.

20. "Operational Manual" means the Borrower's manual satisfactory to the Bank, referred to in Section I.C.1 of Schedule 2 to this Agreement, as such manual may be amended from time to time with the Bank's prior approval.

21. "Participating Agency" means AGD and BSJ, collectively referred to as "Participating Agencies."

22. "PIMS" means the Borrower's framework for the preparation, appraisal, approval and management of all public investments in the Borrower's territory.

23. "PIOJ" means the Planning Institute of Jamaica, established as a statutory body in 1984, pursuant to the Borrower's Planning Institute of Jamaica Act, or any legal successor thereto.

24. "PIU" means the unit referred to in Section I.A.1 of Schedule 2 to this Agreement.

25. "Procurement Plan" means the Borrower's procurement plan for the Project, dated May 15, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Bank.

26. "Procurement Regulations" means the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.

27. "Public Financial Management Action Plan" means the Borrower's public financial management reform program, established pursuant to the Borrower's Cabinet Decision No.35/13, dated October 7, 2013.

28. "Scalable DLIs" means DLIs (2) and (3) set forth in the table in Section IV.B.1(b) of Schedule 2 to this Agreement, for which partial disbursement of the respective amounts allocated may be requested as set forth in the additional instructions.

29. "Selected Areas" means any area in the Borrower's territory, selected pursuant to the criteria set forth in the Operational Manual.

30. "Selected Border Agencies" means any of the Borrower's agencies responsible for trade-related border management, selected pursuant to the criteria set forth in the Operational Manual.

31. "Steering Committee" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

32. "Verification Protocols" means the set of protocols agreed with the Bank, setting forth the actions and mechanisms required for verification of DLIs, included in the Operational Manual and in the additional instructions, as referred to in Section IV.B.1 (b) of Schedule 2 to this Agreement, and as the same may be amended from time to time with the agreement of the Bank.

33. "WTO ATF" means the World Trade Organization's Agreement on Trade Facilitation, adopted by the Borrower on December 7, 2013.

34. "WTO TBT" means the World Trade Organization's Agreement on Technical Barriers to Trade, acceded to by the Borrower on March 9, 1995."