



LEG/SGO/JA-1451609-08

June 5, 2008

The Honorable Audley Shaw
Minister of Finance and the Public Service
Ministry of Finance and the Public Service
30 National Heroes Circle
Kingston 4
Jamaica, W.I.

Ref: Nonreimbursable Technical Cooperation No.
ATN/OC-10991-JA. Program to Support the
Implementation of the GOJ's Medium-Term Action
Plan to Manage for Results.

Dear Minister Shaw:

This letter of agreement (the "Agreement") between the Government of Jamaica, through its Public Sector Modernization Division of the Cabinet Office (PSMD), (hereinafter the "Beneficiary"), and the Inter-American Development Bank (the "Bank"), which we are submitting for your consideration, is to formalize the terms of a grant of a nonreimbursable technical cooperation (the "Contribution") to the Beneficiary, up to the amount of one million six hundred thousand dollars of the United States of America (US\$1,600,000), which shall be chargeable to Sub-account B of the Program to Implement the External Pillar of the Medium-Term Action Plan for Development Effectiveness (PRODEV), to finance the contracting of consulting services and procurement of goods necessary for the execution of a technical cooperation program to support the implementation of the Government of Jamaica's medium term action plan to manage for results (hereinafter the "Program"), a description of which is set forth in the Annex of this Agreement. Unless otherwise stated in this Agreement, the term "dollars" shall hereinafter refer to the currency of legal tender in the United States of America.

This Agreement is entered into pursuant to the Letter of Agreement signed between the Government of Jamaica and the Bank, dated April 12, 2005, setting the framework for the implementation of PRODEV in the country.

The Bank and the Beneficiary agree upon the following:

First. Components of the Agreement. This Agreement consists of this part one, referred to as the "Special Conditions"; part two, referred to as the "General Conditions", and the Annex, which are attached hereto. The prevalence between the above-mentioned Sections and Annex is established in Article 1 of the General Conditions.

Second. Executing Agency. The Executing Agency of this Program shall be the Public Sector Modernization Division of the Cabinet Office (PSMD), hereinafter the “Executing Agency”. The Beneficiary undertakes to guarantee that the Executing Agency shall fulfill all the obligations that result from this Agreement.

Third. Conditions Prior to First Disbursement. The first disbursement of the Contribution shall be subject to the fulfillment, to the satisfaction of the Bank, of the conditions set forth in Article 2 of the General Conditions, as well as the following requirements:

- (i) the appointment of a Technical Coordinator for the Program; and
- (ii) the approval by the Steering Committee of a detailed implementation schedule, for the first year of the Program, subject to the satisfaction of the Bank.

Fourth. Reimbursement of Expenditures Chargeable to the Contribution. With the consent of the Bank, resources of the Contribution may be used to reimburse expenditures incurred or to finance those that may be incurred in the Program on or after May 22, 2008, and up to the date of this Agreement, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled.

Fifth. Revolving Fund. The amount of the revolving fund for this Program shall be the equivalent to twenty percent (20%) of the Contribution.

Sixth. Deadlines. (a) The period for execution of the Program shall be twenty four (24) months, from the effective date of this Agreement.

(b) The period for the last disbursement of the resources of the Contribution shall be thirty (30) months from the effective date of this Agreement, which shall include the period required for the payment of independent auditors referred to in Article 11 of the General Conditions. Any part of the Contribution which has not been utilized within this period shall be canceled.

(c) The aforementioned deadlines and any others that may be stipulated in this Agreement may be extended, when duly justified, with the written consent of the Bank.

Seventh. Total Cost of the Program and Additional Resources. (a) The Beneficiary undertakes to make timely provision, through the Executing Agency, of the resources required, in addition to the Contribution, for the complete and uninterrupted execution of the Program, hereinafter referred to as the “Counterpart Resources.” The total Counterpart Resources required is estimated to be the equivalent of one hundred and sixty thousand dollars (US\$160,000), to make up a sum equivalent to one million seven hundred and sixty thousand dollars (US\$1,760,000), which is estimated to be the total cost of the Program. These estimates do not reduce the obligation of the Beneficiary to provide any additional resources required to complete the Program.

(b) The Counterpart Resources provided by the Beneficiary shall be used to finance the cost categories which are chargeable to it, as established in the Program's budget set forth in the attached Annex.

Eighth. Recognition of Expenses Chargeable to the Counterpart Resources. The Bank may recognize, as part of the local contribution, expenditures incurred or which may be incurred in the Program on or after May 22, 2008, and up to the date of this Agreement, provided that requirements substantially similar to those set forth in this Agreement have been fulfilled.

Ninth. Currencies for Disbursements. The Bank shall disburse the Contribution in US dollars. The Bank may convert these convertible currencies into other currencies, including the local currency by applying the exchange rate indicated in Article 7 of the General Conditions.

Tenth. Acquisition of goods and services. The acquisition of goods and related services (different from consulting services) will be carried out by the Executing Agency in accordance with the provisions set forth in Document GN-2349-7 ("Policies For The Procurement Of Works And Goods Financed By The Inter-American Development Bank") dated July, 2006. The Executing Agency confirms its familiarity with the provisions of Document GN-2349-7 and will be able to use the price comparison procurement method.

Eleventh. Selection and contracting of consulting services. The selection and contracting of consulting services will be carried out by the Executing Agency in accordance with the provisions set forth in Document GN-2350-7 ("Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank") dated July, 2006. The Executing Agency confirms its familiarity with those provisions of Document GN-2350-7. The Executing Agency will be able to use the procedure set forth in Section II of Document GN-2350-7 as well as any other competitive method set forth in Sections III and V of said document. For purposes of paragraph 2.6 of Document GN-2350-7, the short list of consultants whose contracts are estimated to be below fifty thousand dollars (US\$50,000), could be composed in its entirety by local consultants.

Twelfth. Procurement Plan. Before starting any competitive bidding process or any request for proposals for the acquisition of goods and services (different from consulting services) and consulting services, respectively, the Executing Agency shall prepare and furnish to the Bank for its approval, a Procurement Plan acceptable to the Bank setting forth: (a) the particular contracts for consulting services required to carry out the Project, including the estimated cost of each contract, and the proposed methods for acquisition of goods and selection of consultants' services, in accordance with paragraphs 1 of Appendixes 1 of the Procurement of Goods and Consultants Policy referred to in paragraphs Tenth and Eleventh of these Special Conditions. This Plan shall be updated every six (6) months during the execution of the Project or as needed throughout the duration of the Project, and each updated version shall be submitted to the Bank's approval. The Executing Agency shall implement the Procurement Plan in the manner in which has been approved by the Bank.

Thirteenth. Review by the Bank. (a) Unless the Bank agrees otherwise in writing, for the first six months during which the training will be provided, each contract for the acquisition of goods and consulting services shall be subject to an ex-ante review, in accordance with the procedures set forth in paragraphs 2 and 3 of Appendixes 1 of the Procurement of Goods and Consultants Policy.

(b) Once the training provided by the Bank is completed, the Executing Agency and the Bank will review whether to conduct controls on an ex-post basis.

Fourteenth. Reports and Auditing. (a) The Executing Agency undertakes to present to the satisfaction of the Bank, and within hundred and twenty (120) days after the date of the last disbursement of the financing, the financial statements of the Project duly certified by a firm of independent accountants pursuant to the provision set forth in Article 11(b) of the General Conditions.

(b) The costs associated with the hiring of the firm referred to in paragraph (a) above, will be financed with resources of the Contribution.

(c) The Executing Agency and the Bank will hold semiannual meetings in order to review the progress achieved in implementing the Program. For this purpose, the Executing Agency will furnish, prior to each meeting, information and documentations requested by the Bank regarding the advancement of the Program.

(d) The Executing Agency shall present to the Bank semiannual progress financial reports indicating progress toward the achievement of the Semiannual Progress Indicators for the Program agreed between the Beneficiary and the Bank. A final evaluation, financed with the Contribution will also be conducted for project supervision and monitoring, based on the indicators and goals identified in the Program's logical framework. This evaluation shall focus on: (i) verifying the degree of compliance with the indicators for the program and the different components; (ii) taking stock of the successes and shortcomings of program design and execution and its effectiveness in working toward the country's development objectives; and (iii) recommending corrective or monitoring measures for future programs of this kind.

Fifteenth. Information Disclosure. The Beneficiary undertakes to notify the Bank, in writing, within a maximum period of ten (10) working days from the date of signature of this Agreement, whether it considers any part of the Agreement to be confidential or sensitive, or information that may adversely affect relations between the Beneficiary and the Bank or between private sector clients and the Bank, in which case the Beneficiary undertakes to identify those provisions considered as such. In accordance with the Bank's Disclosure of Information Policy, the Bank will make the text of this Agreement available to the public once it has been signed and has entered into effect, with the sole exception of that information which the Beneficiary has specifically identified as confidential, sensitive or adverse to relations with the Bank in the manner indicated in this paragraph.

Sixteenth. Notice. Any notice, request, or communication from one party to another by virtue of this Agreement shall be made in writing and shall be considered to have been made when the relevant documents are delivered to the addressee, unless the parties otherwise agree in writing. If to the Beneficiary, such notice shall be addressed to the same address indicated above. If to the Bank, such notice shall be addressed to:

Inter-American Development Bank
1300 New York Avenue, N.W.
Washington, D.C. 20577
U.S.A.

Facsimile: (202) 623-3096

IN WITNESS WHEREOF, the Beneficiary and the Bank, each acting through its authorized representative, have signed this Agreement, in two (2) equally authentic copies in Kingston, Jamaica, on the date above written.

GOVERNMENT OF JAMAICA

INTER-AMERICAN DEVELOPMENT
BANK

(f) Audley Shaw

(f)Luis Alberto Moreno

Audley Shaw
Minister of Finance and the Public Service

Luis Alberto Moreno
President

**GENERAL CONDITIONS APPLICABLE TO
NONREIMBURSABLE TECHNICAL COOPERATIONS**

Article 1. Application and Scope of General Conditions. (a) These General Conditions set forth terms and conditions generally applicable to all nonreimbursable technical cooperations made by the Bank, and their provisions form an integral part of this Agreement. Any exception to these General Conditions shall be expressly stated in the text of the Special Conditions.

(b) If any provision of the Special Conditions or of the Annex or Annexes should present any inconsistency or contradiction with these General Conditions, the provisions of the Special Conditions or the corresponding Annex shall prevail. In case of inconsistencies or contradictions between the Special Conditions and the corresponding Annex or Annexes, specific provisions shall prevail over general provisions.

Article 2. Conditions Prior to First Disbursement. (a) The first disbursement of the Contribution shall be subject to the fulfillment of the following requirements, by the Beneficiary, directly or through the Executing Agency:

- (i) designation of the person or persons authorized to represent it in all acts relating to the execution of this Agreement, and submission to the Bank of authenticated specimen signatures of such persons. If two or more officials are designated, the designation shall indicate whether they may act severally or jointly;
- (ii) submission to the Bank of a request for disbursement, justified in writing; and
- (iii) presentation to the Bank of a timetable for use of the Counterpart Resources.

(b) If within one hundred and eighty (180) days from the effective date of this Agreement, or within such longer period as the parties may agree in writing, the conditions precedent to the first disbursement established in this Article and in the Special Conditions have not been fulfilled, the Bank may terminate this Agreement by giving notice to the Beneficiary.

Article 3. Disbursement Procedure. (a) The Bank shall make disbursements of the Contribution to the Beneficiary, through the Executing Agency, each time it requests such disbursements and provides justification, to the Bank's satisfaction, for the expenses to be paid with the Contribution resources.

(b) At the request of the Beneficiary, through the Executing Agency, and provided that the requirements set forth in paragraph (a) above, in Article 2 and in the Special Conditions have been satisfied, the Bank may establish a revolving fund with the Contribution resources, which the Beneficiary, through the Executing Agency, shall utilize to cover eligible Program expenses charged against the Contribution. The Beneficiary, through the Executing Agency, shall inform the Bank

about the status of the revolving fund within a period of sixty (60) days from the closing date of each semester.

(c) The Bank may replenish the revolving fund entirely or in part as the resources are used, if the Beneficiary, through the Executing Agency, so requests and presents to the Bank's satisfaction, a detailed statement of expenses charged to such fund, together with the supporting documents thereof and a justification for such request. The detailed statement of expenses shall be submitted according to the catalog of accounts indicated in the Annex of this Agreement, which describes the Program.

Article 4. Expenditures Chargeable to the Contribution. The Contribution shall exclusively finance those eligible expenses which are set forth in the Program budget contained in the Annex that describes the Program. Only direct and actual Program expenses may be charged to the Contribution. Indirect or general operating expenses, which are not included in the Program budget, cannot be charged to the Contribution.

Article 5. Request for Final Disbursement. The Executing Agency shall present the final request for disbursement of the Contribution, accompanied by the appropriate supporting documentation, to the Bank's satisfaction, at least thirty (30) days before the expiration of the disbursement period referred to in the Special Conditions of this Agreement, or of any extension thereto that the parties may have agreed upon in writing. This final request for disbursement shall include the supporting documentation required for payment of the auditing services mentioned in Article 11 of these General Conditions.

Article 6. Suspension and Cancellation of Disbursements. (a) The Bank may suspend the disbursements or cancel the Contribution if any of the following circumstances occurs: (i) the failure of the Beneficiary to fulfill any obligation stipulated in this Agreement; or (ii) any circumstance which, in the Bank's opinion, may render unlikely the attainment of the objectives of the Program. Under these circumstances, the Bank shall notify the Executing Agency in writing so that it may present its points of view, and after thirty (30) days from the date of the Bank's notice, it may suspend the disbursement or cancel the undisbursed portion of the Contribution.

(b) Pursuant to paragraph (a) above, the parties agree that upon the occurrence of institutional or organizational changes within the Executing Agency, which, in the Bank's opinion, might affect the timely execution of the Program's objectives, the Bank shall review and evaluate the likely attainment of the objectives and may at its discretion, suspend, condition or cancel the disbursements of the Contribution.

(c) The Bank may cancel the part of the Contribution pertaining to the procurement of certain goods, works or related services, or consulting services, if it determines at any time that: (i) the procurement was carried out without following the procedures set forth in this Agreement; or (ii) representatives of the Beneficiary have committed corrupt practices, either in the process of selecting the supplier or contractor or in the execution of the respective contract, and the Beneficiary has not taken timely and remedial measures, observing the due process guarantees of the legislation of the Beneficiary's country, which are acceptable to the Bank.

(d) For the purposes of the above paragraph, corrupt practices shall be understood to

include, but not be limited to, acts of: (i) bribery, meaning the offering or giving of anything of value to influence the actions or decisions of third parties or the receiving or soliciting of any benefit in exchange for actions or omissions related to the performance of duties; (ii) extortion or coercion, meaning the act of obtaining something, compelling an action or influencing a decision through intimidation, threat or the use of force, where potential or actual injury may befall upon a person, his/her reputation or property; (iii) fraud, meaning any action or omission intended to misrepresent the truth so as to induce others to act in reliance thereon, with the purpose of obtaining some unjust advantage or causing damage to others; and (iv) collusion, meaning a secret agreement between two or more parties to defraud or cause damage to a person or entity or to obtain an unlawful purpose.

(e) The provisions established in the precedent paragraphs (a) and (c) shall not affect the disbursement by the Bank of any amounts which the Bank by specific written agreement with the Beneficiary or Executing Agency, as the case may be, has agreed to provide from the resources of the Contribution to make payments to a supplier of goods or services. The exceptions set forth in this paragraph (e) shall not apply if the Bank determines that corrupt practices have occurred with respect to the procurement of, or the execution of the contract for, such goods or services.

Article 7. Exchange Rate for Programs Financed with Funds Expressed in Dollars of the United States of America.

(a) Disbursements: (i) The equivalence in dollars of the United States of America of other convertible currencies in which the disbursements of the Contribution might be made, shall be calculated applying the exchange rate in effect in the market on the date of the disbursement; and

(ii) the equivalence in dollars of the United States of America of the local currency, or other non-convertible currencies, in the case of regional projects, in which the disbursements of the Contribution might be made, shall be calculated applying, on the date of the disbursement, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency, or other non-convertible currencies, in the case of regional projects, held by the Bank.

(b) Expenses: (i) The equivalence in Dollars of the United States of America of an expenditure made with convertible currencies shall be calculated applying the exchange rate in effect in the market on the date in which payment is rendered for the expenditure in question.

(ii) The equivalence in Dollars of the United States of America of an expenditure made in local currency, or in other non-convertible currencies, in the case of regional projects, shall be calculated applying, on the date in which payment is rendered for the expenditure in question, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency held by the Bank.

(iii) For purposes of subparagraphs (i) and (ii) above, it is understood that the date of payment for the expenditure, is the date on which the Beneficiary, the Executing Agency, or any other natural or legal person to whom the right to make expenditures

has been delegated, makes the respective payments to the contractor, consultant or supplier.

Article 8. Exchange Rate for Programs Financed with Funds Constituted in Convertible Currencies Other than the US Dollar. (a) Disbursements. The Bank may convert the disbursed currency chargeable to the resources of the trust fund indicated in the Special Conditions in: (i) other convertible currencies applying the exchange rate in effect in the market on the date of the disbursement; or

- (ii) the local currency or other non-convertible currencies, in the case of regional projects, applying, on the date of the disbursement, the following procedure: (A) the equivalence of the currency of the trust fund indicated in the Special Conditions shall be calculated in Dollars of the United States of America, applying the exchange rate in effect in the market; (B) next, the equivalence of these Dollars of the United States of America shall be calculated in local currency or other non-convertible currencies, in the case of regional projects, applying the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency held by the Bank.

(b) Expenses: (i) The equivalence in the currency of the trust fund, indicated in the Special Conditions, of an expenditure made with convertible currencies shall be calculated applying the exchange rate in effect in the market on the date in which payment is rendered for the expenditure in question.

- (ii) The equivalence in the currency of the trust fund, indicated in the Special Conditions, of an expenditure made in local currency or other non-convertible currencies, in the case of regional projects, shall be calculated in the following manner: (A) the equivalence in Dollars of the United States of America of such expenditure, applying, on the date in which payment is rendered for the expenditure in question, the exchange rate established pursuant to the understanding in force between the Bank and the respective country for the purpose of maintaining the value of its currency held by the Bank; (B) next, the equivalence in the currency of the trust fund indicated in the Special Conditions of the value of the expenditure in Dollars of the United States of America, shall be calculated applying the exchange rate in effect in the market on the date in which payment is rendered for the expenditure in question.
- (iii) For purposes of subparagraphs (i) and (ii) above, it is understood that the date of payment for the expenditure, is the date on which the Beneficiary, the Executing Agency, or any other natural or legal person to whom the right to make expenditures has been delegated, makes the respective payments to the contractor, consultant or supplier.

Article 9. Other Contractual Obligations of Consultants. In addition to the special requirements included in the Special Conditions, Annex or Annexes and in the respective terms of reference, the Executing Agency agrees that contracts signed with Consultants shall also specify the Consultants' obligations to:

(a) provide any clarifications or additional information that the Executing Agency or the Bank consider necessary with respect to the Consultants' reports required under the terms of reference set forth in their respective contracts;

(b) provide the Executing Agency and the Bank with any additional information as they may reasonably request concerning the performance on their work;

(c) in the case of international consultants, perform their work in an integrated manner with the local professional staff assigned or contracted by the Beneficiary to participate in the execution of the Program, with a view to carrying out technical and operational training of such staff by the conclusion of the work;

(d) assign copyrights, patents and any other form of industrial property right to the Bank in cases where such rights result from the work and documents carried out by the Consultants under the consulting contracts financed with resources of the Program; and

(e) notwithstanding paragraph (d) above, in order to obtain a timely dissemination of the results of the Program, the Bank authorizes the Beneficiary, or the Executing Agency, to make use of the products resulting from the consulting services financed with the resources of the Program, with the understanding that the Beneficiary, or the Executing Agency, shall utilize such consulting products under the terms set forth in Article 14 of these General Conditions.

Article 10. Acquisition of Goods and Services. (a) The Beneficiary may acquire, chargeable to the Contribution, the goods and services (other than consulting services) required for the execution of the Program, in an amount not to exceed the allocation specified for that purpose in the budget set forth in the Annex that describes the Program.

(b) When the goods acquired and services (other than consulting services) contracted for the Program are entirely financed with local counterpart contribution, the Beneficiary shall, whenever possible, follow procedures that allow the participation of several bidders, and shall take into account principles of economy, efficiency and price reasonability.

(c) When sources of financing other than resources of the Contribution or of the Counterpart Resources are used, the Beneficiary may agree with the financing entity the procedure to be followed for the acquisition of goods and services. Notwithstanding, at the Bank's request, the Beneficiary shall prove the reasonability of both the price agreed upon or paid for the acquisition of such goods and services, and of the financial conditions of such credits. The Beneficiary shall likewise demonstrate that the quality of the goods meets the technical requirements of the Program.

(d) During the execution of the Program, the goods referred to in subsection (a) above shall be used exclusively for the execution of the Program.

(e) The goods included in the Program shall be adequately maintained according to generally accepted technical standards, at a level compatible with the services that they should provide.

Article 11. Financial Statements. (a) When the period for execution of the Program exceeds one (1) year, and the amount of the Contribution exceeds one million five hundred thousand Dollars of the United States of America (US\$1,500,000), the Beneficiary, through the Executing Agency, undertakes to submit, to the Bank's satisfaction:

- (i) annual financial statements, and one final financial statement, regarding Program expenditures charged to the Contribution and to the Counterpart Resources. These financial statements shall be audited by independent public accountants acceptable to the Bank, in accordance with procedures satisfactory to the Bank;
- (ii) the annual financial statements shall be presented no later than ninety (90) days following the close of each year of execution, beginning with the year that corresponds to the fiscal year in which disbursements of the Contribution begin; and the final financial statement shall be presented no later than ninety (90) days following the date of the last disbursement of the Contribution, with the exception of the disbursement of the resources necessary to cover the cost of the auditing services referred to in this Article. These time periods shall only be extended with the written consent of the Bank; and
- (iii) the Bank may suspend disbursements of the Contribution, if it does not receive, to its satisfaction, the annual financial statements within the periods stipulated in paragraph (ii) above, or within any extension of these periods it may have authorized.

(b) When the period for execution of the Program does not exceed one (1) year, or the amount of the Contribution is equal to or less than the equivalent of one million five hundred thousand Dollars of the United States of America (US\$1,500,000), the Beneficiary, through the Executing Agency, undertakes to submit to the Bank's satisfaction, and within ninety (90) days following the date of the last disbursement of the Contribution, with the exception of the disbursement of the resources necessary to cover the cost of the auditing services referred to in this Article, a financial statement of Program expenditures charged to the Contribution and to the Counterpart Resources, audited by independent public accountants acceptable to the Bank and in accordance with procedures satisfactory to the Bank.

Article 12. Internal Control and Records. The Beneficiary, or the Executing Agency, as the case may be, shall maintain an appropriate system of internal accounting and administrative controls. The accounting system shall be organized so as to provide the necessary documentation to permit the verification of transactions and facilitate the timely preparation of financial statements and reports. The records of the Program shall be maintained in such a way that: (a) they make it possible to identify the sums received from the various sources; (b) they show, in accordance with the catalogue of accounts approved by the Bank, the investments in the Program, both with the resources of the Contribution and with the other funds to be provided for its complete execution; (c) they include sufficient detail to show the goods acquired and the services contracted, as well as the utilization of such goods and services; and (d) they show the cost of the investments in each category and the progress of the works.

Article 13. Other Commitments. The Beneficiary, through the Executing Agency shall also:

- (a) provide the Consultants and local experts with secretarial services, offices, office supplies, communication services, transport and any other logistical support required for the execution of their work;
- (b) present to the Bank a copy of the Consultants reports and their comments thereof;
- (c) provide the Bank with any other additional information or legal reports as it may reasonably request concerning execution of the Program and the use of the Contribution and the Counterpart Resources; and
- (d) keep the Bank's Representative in the respective country or countries informed of all aspects of the Program.

Article 14. Publication of Documents. Any document issued under the Bank's name or logotype, as part of a special project, joint program, research project or any other event financed with the resources of the Program intended for publication, shall be previously approved by the Bank.

Article 15. Supervision in the Field. Without prejudice to the supervision of the Program activities performed by the Executing Agency, the Bank may supervise the Program in the field through its Country Office in the country or countries as it may designate for such purpose.

Article 16. Limitation of the Bank's Obligation. It is understood that the granting of the Contribution by the Bank does not constitute any obligation whatsoever to totally or partially finance any program or project that may be undertaken directly or indirectly as a result of the execution of the Program.

Article 17. Arbitration. For the solution of any controversy which may arise hereunder and which is not resolved by agreement of the parties, said parties shall unconditionally and irrevocably submit to the following arbitration procedure and award:

(a) **Composition of the Tribunal.** The Arbitration Tribunal shall be composed of three (3) members, to be appointed in the following manner: one by the Bank, another by the Beneficiary, and a third, hereinafter called the "Referee", by direct agreement between the parties or through their respective arbitrators. If the parties fail to agree on who shall be the Referee, or if one of the parties fails to appoint the Referee, the Referee shall be appointed, at the request of either party, by the Secretary General of the Organization of American States. If either of the parties fails to appoint an arbitrator, he shall be appointed by the Referee. If either of the appointed arbitrators or the Referee is unwilling or unable to act or to continue to act, his successor shall be appointed in the same manner as for the original appointment. The successor shall perform the same functions and shall have the same powers as his predecessor.

(b) **Initiation of the Procedure.** In order to submit the controversy to arbitration the claimant shall address to the other party a written communication setting forth the nature of the

claim, the satisfaction or compensation sought, and the name of the arbitrator it has appointed. The party receiving such communication shall, within forty-five (45) days, notify the adverse party of the name of the person it has appointed as arbitrator. If, within thirty (30) days after delivery of such notification to the claimant, the parties have not agreed upon the person who is to act as Referee, either party may request the Secretary General of the Organization of American States to make the appointment.

(c) **Convening of the Tribunal.** The Arbitration Tribunal shall be convened in Washington, District of Columbia, on the date designated by the Referee and, once convened, the Tribunal itself shall decide when it shall meet.

(d) **Procedure.**

- (i) The Tribunal shall be competent only to hear the matter in controversy. It shall adopt its own procedures and may on its own initiative designate whatever experts it considers necessary. In any case, it shall give the parties the opportunity of making oral presentations.
- (ii) The Tribunal shall proceed ex aequo et bono, basing itself on the terms of this Agreement, and shall issue an award even if either party should fail to appear or to present its case.
- (iii) The award shall be in writing and shall be adopted with the concurrent vote of at least two of the members of the Tribunal. It shall be handed down within sixty (60) days from the date on which the Referee has been appointed, unless the Tribunal determines that, due to special and unforeseen circumstances, such period should be extended. The parties shall be notified of the award by means of a communication signed by at least two members of the Tribunal. The parties agree that any award of the Tribunal shall be complied with within thirty (30) days from the date of notification and it shall be final and not be subject to any appeal.

(e) **Costs.** The fees of each arbitrator shall be paid by the party which appointed him and the fees of the Referee shall be paid by both parties in equal proportion. Prior to the convening of the Tribunal, the parties shall agree on the remuneration of any other person who by mutual agreement, they deem should participate in the arbitration proceedings. If such agreement is not reached in a timely manner, the Tribunal itself may determine the compensation reasonable for such person under the circumstances. Each party shall defray its own expenses in the arbitration proceedings but the expenses of the Tribunal shall be divided and borne equally by both parties. Any doubt regarding the division of expenses or the manner in which they are to be paid shall be determined, without appeal, by the Tribunal.

(f) **Notification.** All notifications regarding the arbitration proceeding or to the award shall be made in the manner provided in the present Agreement. The parties expressly waive any other form of notification.

ANNEX

THE PROGRAM

Program to Support the Implementation of the GOJ's Medium-Term Action Plan to Manage for Results.

I. Objective

- 1.01** The Program will contribute to strengthen result-based management in Jamaica by supporting the implementation of the Government of Jamaica's (GOJ's) Medium-Term Action Plan to Manage for Results. The Program's activities aim at: (i) improving efficiency and effectiveness in the utilization of public resources by completing the process of adoption of modern financial and planning systems; and (ii) enhancing accountability for the production of results. The targeted efficiency savings and improved "value for money" would free up resources for improving government services.

II. Description

- 2.01** In order to achieve the above aforementioned objectives, the Program will finance the following components:

Component 1: Enhancing the accountability framework for PBIs.

- 2.02** The component will consist of activities to improve the current accountability framework for financial management and institutional performance. Particular attention will be paid to the institutional performance contracts for Executive Agencies and Performance Based Institutions, and the development of an improved framework for Regional Service Delivery. Activities also will include support for legal reforms for public financial management and procurement by financing the drafting of legislation and regulations based on studies completed under PRODEV I.

Component 2: Improving the linkage between planning and budgeting.

- 2.03** Under this component the program will finance the development and adoption of specific mechanisms, standards, and criteria, to weigh, assess and arrive at strategic priorities. It also will support the adoption of a full Medium Term Expenditure Framework System. It is expected that this system together with the completion of the reforms in public financial management will provide the basis for better alignment of planning with finance, better macro control of expenditure and through it better flexibility for management. Finally, the component also will finance a program to improve agency level plans to ensure that they are linked to budget allocations, and have sufficient elements to allow for monitoring and evaluation.

Component 3: Setting the basis for the modernization of the public procurement and financial management information systems.

- 2.04** The program will support the preparation of a comprehensive strategy for modernization of information systems to improve the effectiveness of the financial management and procurement system. Activities will include the preparation of needs assessments and a detailed plan for implementation on a phased basis. Two particular interventions will be also financed under this component: the preparation of a RFP for the financial management system that considers a phased implementation of accrual accounting, and the initial steps for developing and implementing an e-procurement system (the first phase is related to e-tendering).

Component 4: Improving Institutional Performance Monitoring and Evaluation Systems.

- 2.05** Under this component the program will support the establishment of an institutional performance monitoring and evaluation system within the Integrated MfR framework. Specific activities will include: (i) completion of the Performance Monitoring and Evaluation (PM&E) pilot in the MTW; (ii) development of an Institutional Performance Monitoring and Evaluation framework; (iii) the establishment of a Institutional Performance Monitoring and Evaluation Unit in the Cabinet Office; and (iv) the roll out of the PMES to other ministries and/or agencies.

Component 5. Capacity Building and Dissemination.

- 2.06** Capacity building activities will be guided by the MTAP training program designed under PRODEV I covering the areas of procurement, audit, financial management, planning and performance management. The implementation of the communication strategy designed under PRODEV I also will be supported under this component. It will include activities for dissemination of the MTAP. The training program will focus on specialized training for technical staff, while the communications strategy will emphasize improving communications with and information for the public.

III. Total Cost of the Program

- 3.01** The estimated cost of the Program is the equivalent of one million seven hundred and sixty thousand dollars (US\$1,760,000), in accordance with the following Budget:

Budget
(in US\$)

	IDB	GOJ	TOTAL
1. Enhancing the accountability framework	365,000	20,000	385,000
2. Improving linkage between planning and budgeting	210,000		210,000
3. Modernizing Gov. management information systems	280,000		280,000
4. Improving Institutional PM&E	300,000	60,000	360,000
5. Capacity Building and Dissemination Activities	250,000	50,000	300,000
6. Administration and Contingencies	195,000	30,000	225,000
TOTAL	1,600,000	160,000	1,760,000

IV. Execution

4.01 The Program's general coordination and technical execution will be led by the Public Sector Modernization Division of Cabinet Office (PSMD). The program will have the same implementation architecture as the current TC PRODEV I operation (JA-T1015). It will be governed by the already functioning Steering Committee (SC)² responsible for overall Program guidance and oversight, as well as for the approval and supervision of the work plans. The SC will review the progress reports and will interface with other institutional actors in order to facilitate the orderly implementation of the program.

4.02 The execution of the different activities will be undertaken by the GOJ's leading entities in the MfR process as presented in the following table:

Activity/ Area of Intervention	Entity Responsible
<ul style="list-style-type: none"> ▪ Component 1. <ul style="list-style-type: none"> ○ Financial Management area ○ Performance Management ▪ Component 2 <ul style="list-style-type: none"> ○ MTEF ○ Corporate Planning ▪ Component 3. ▪ Component 4 ▪ Component 5 <ul style="list-style-type: none"> ○ Training Program ○ Workshops and Seminars 	<ul style="list-style-type: none"> • MOFPS • PSMD • PSMD/MOFPS • PSMD/MOFPS • MOFPS • PSMD/MTW • PSMD/MOFPS • PSMD

4.03 The technical work related to planning, preparation of terms of reference and/or specifications, selection of consultants and quality control of their work, and monitoring of the progress on implementation will be carried out by the respective responsible entity. The administrative support related to the preparation of bidding documents, contracting, purchasing and payments will be carried out by the PSMD. During the last decade, the PSMD has led the government's institutional modernization program, and has also successfully administered funds provided by different donors, including the PRODEV I technical cooperation (JA-T1015).

- 4.04** As part of the general coordination activities, the PSMD will be responsible for: (i) coordinating program execution; (ii) revising and presenting the work plans, semiannual and final progress reports to the SC for approval and later submission to the Bank, in addition to other reports requested by the Bank during the program execution period; (iii) monitoring execution performance, and collecting the information needed for the indicators specified in the logical framework; (iv) conducting the procurement and processing the contracts required for program implementation; (v) providing technical advice to the agencies in charge of the execution of the program; (vi) preparing and presenting disbursements requests and justification of the use of funds to the Bank's satisfaction, and the semiannual reports on the use of the revolving fund; (vii) maintaining the financial and accounting records related to the use of program resources, demonstrating at any time that the funds are used for the purpose intended; (viii) keeping adequate documentation to support the and Performance disbursements received; this information shall be made available for review by Bank personnel and/or external auditors; and (ix) preparing and presenting the financial statements of the program to the Bank, duly certified by eligible external auditors. The PSMD will appoint a technical coordinator for the program. The TC program will provide the funds for contracting a task manager with direct reporting relationship to the technical coordinator.
- 4.05** The program will be executed according to a detailed work plan which contains (i) the activities to be carried out and the targets to be achieved every six months; (ii) the expenditures to be made and the sources of financing; and (iii) the units responsible for compliance. As part of Program preparation, the Bank and the GOJ authorities agreed on the detailed activities and a tentative implementation schedule for the two-year program. Based on this agreement, PSMD will prepare a detailed plan of operations for the first year.