Financing Agreement

(Revenue Mobilization Program for Results: VAT Improvement Program (VAT online Project))

between

PEOPLE'S REPUBLIC OF BANGLADESH

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 7, 2014
CREDIT NUMBER 5426-BD

FINANCING AGREEMENT

AGREEMENT dated December 7, 2014, entered into between PEOPLE'S REPUBLIC OF BANGLADESH ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association"). The Recipient and the Association hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions, in the table in Section IV.A.2 of Schedule 2 to this Agreement or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to thirty eight million eight hundred thousand Special Drawing Rights (SDR 38,800,000) (variously, "Credit" and "Financing"), to assist in financing the program described in Schedule 1 to this Agreement ("Program").

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement. All withdrawals from the Financing Account shall be deposited by the Association into an account specified by the Recipient and acceptable to the Association.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on theWithdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are April 15th and October 15th in each year.
2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the objective of the Program. To this end, the Recipient shall carry out the Program through the NBR and the ERD, in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Program is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the Program has been modified and/or suspended so as to affect materially and adversely the ability of the Recipient to achieve the objectives of the Program.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

5.02. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Senior Secretary or Secretary or the Additional Secretary, or any Joint Secretary, Joint Chief, Deputy Secretary, Deputy Chief, Senior Assistant Secretary, Senior Assistant Chief, Assistant Secretary, or Assistant Chief of the Economic Relations Division of the Ministry of Finance.
6.02. The Recipient’s Address is:

Economic Relations Division
Ministry of Finance
Government of the People’s Republic of Bangladesh
Sher-E-Bangla Nagar
Dhaka, Bangladesh

Facsimile:

88029180788

6.03. The Association’s Address is:

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

Cable:  Telex:  Facsimile:
INDEVAS  248423 (MCI)  1-202-477-6391
AGREED at Dhaka, People’s Republic of Bangladesh, as of the day and year first above written.

PEOPLE’S REPUBLIC OF BANGLADESH

By

[Signature]

Authorized Representative

Name: KAZI SHOFIQU LE AZAM
Title: Additional Secretary.
07.12.2014

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: SALMAN ZAIOL
Title: Act. HEAD OF BANGLADESH OFFICE
DEc 7, 2014
SCHEDULE 1

Program Description

The objective of the Program is to improve revenue mobilization and transparency in the VAT administration.

The Program consists of the following selected set of activities under the Tax Modernization Plan:

A. Automation and modernization of the NBR’s core VAT functional areas including, *inter alia*: 1. tax registration; 2. tax return processing; 3. tax payment; 4. taxpayer accounting; 5. tax refund; 6. tax audit; 7. tax collection and enforcement; 8. tax appeal; and 9. taxpayer services.

B. Development and deployment of the NBR’s integrated VAT management system including, *inter alia*, the establishment and deployment of a data center, a centralized processing center and a contact center.

C. Strengthening of institutional capacity and building capacity of the NBR, the ERD and the ACC for the carrying out of the NBR’s core VAT functional areas referred to paragraph A above and the use of the integrated VAT management systems referred to in paragraph B above.

D. 1. Carrying out Program coordination and administration activities; 2. Development and deployment of a change management and taxpayer communication and education program; and 3. Carrying out activities aimed to increase Program’s transparency.
SCHEDULE 2

Program Execution

Section I. Implementation Arrangements

A. Program Fiduciary, Environmental and Social Systems

Without limitation on the provisions of Article IV of the General Conditions, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with financial management, procurement and environmental and social management systems acceptable to the Association ("Program Fiduciary, Environmental and Social Systems") which are designed to ensure that:

1. the Financing proceeds are used for their intended purposes, with due attention to the principles of economy, efficiency, effectiveness, transparency, and accountability; and

2. the actual and potential adverse environmental and social impacts of the Program are identified, avoided, minimized, or mitigated, as the case may be, all through an informed decision-making process.

B. Anti-Corruption

Without limitation on the provisions of Part A of this Section, the Recipient shall carry out the Program, or cause the Program to be carried out, in accordance with the provisions of the Anti-Corruption Guidelines.

C. Other Program Institutional and Implementation Arrangements

1. Program Institutions

Without limitation on the generality of Part A of this Section I, the Recipient shall maintain or cause to be maintained during the implementation of the Program, the offices, units and branches within the NBR, the ERD, the ACC and/or under any other relevant agencies and/or ministries, each assigned with technical, environmental and social safeguards, fiduciary and other Program related responsibilities for implementing the Program, all with powers, functions, capacity, staffing and resources satisfactory to the Association to fulfill their respective functions under the Program.

2. Additional Program Implementation Arrangements

(a) Without limitation on the generality of Part A of this Section I, unless otherwise agreed by the Association, the Recipient shall:
(i) carry out the Action Plan or cause the Action Plan to be carried out, in accordance with such Action Plan which shall be carried out in a manner satisfactory to the Association; and

(ii) not amend, revise, waive, void, suspend or abrogate, or allow to be amended, revised, waived, voided, suspended or abrogated, any provision of the Action Plan, without the prior written concurrence of the Association.

(b) In case of any inconsistency between the provisions of the Action Plan and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Excluded Activities

The Recipient shall ensure that the Program excludes any activities which:

A. in the opinion of the Association, are likely to have significant adverse impacts that are sensitive, diverse, or unprecedented on the environment and/or affected people; or

B. involve the procurement of: 1. works, estimated to cost $50 million equivalent or more per contract; 2. goods, estimated to cost $30 million equivalent or more per contract; 3. non-consulting services and information technology systems, estimated to cost $20 million equivalent or more per contract; and/or 4. consultants’ services, estimated to cost $15 million equivalent or more per contract.

Section III. Program Monitoring, Reporting and Evaluation; Audits

A. Program Reports

The Recipient shall monitor and evaluate the progress of the Program and prepare Program Reports in accordance with the provisions of Section 4.08 of the General Conditions. Each Program Report shall cover the period of one (1) calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.

B. Program Financial Audits

Without limitation on the generality of Section I.A of this Schedule 2 and Section 4.09 of the General Conditions, the Recipient shall have the Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one
(1) fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Program. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

C. **Technical Audits**

The Recipient, through the ERD, shall:

1. for the purposes of verifying DLRs, engage, not later than six (6) months after the Effective Date, independent third party entity or entities under terms of reference satisfactory to the Bank, to carry out the verification of compliance of the DLIs which are set forth in the table in Section IV.A.2 of this Schedule;

2. carry out throughout the implementation of the Program, by April 30 and November 30 of each year, a verification process, in a manner satisfactory to the Association, through the independent third party entity or entities engaged pursuant to paragraph 1 above, to ascertain whether the DLRs have been achieved for the period(s) under review; and

3. furnish to the Association corresponding verification reports, in form and substance acceptable to the Association, by not later than forty-five (45) days after the end of each of the periods referred to in paragraph 2 above.

Section IV. **Withdrawal of Financing Proceeds**

A. **General**

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association may specify from time to time by notice to the Recipient to: (a) repay the Preparation Advance; and (b) finance the Program Expenditures, on the basis of the results (“Disbursement Linked Results” or “DLRs”) achieved by the Recipient, as measured against specific indicators (“Disbursement Linked Indicators” or “DLIs”); all as set forth in the table in paragraph 2 of this Part A.

2. The following table specifies each category of withdrawal of the proceeds of the Financing (including the Disbursement Linked Indicators as applicable) (“Category”), the Disbursement Linked Results for each Category (as applicable), and the allocation of the amounts of the Financing to each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Disbursement Linked Indicator (DLI)</th>
<th>Disbursement Linked Result (DLR)</th>
<th>Amount of Financing Allocated to each Disbursement Linked Result (amounts expressed in SDR)</th>
<th>Amount of the Financing Allocated to each Category (expressed in SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td><strong>First DLI:</strong> VAT Implementation Plan stays on track</td>
<td>DLR#1.1: Vendor has signed a contract providing the NBR with a configurable web-based COTS VAT</td>
<td>4,500,000 upon achievement of DLR #1.1.1</td>
<td>10,650,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.1.1 At least 40,000 active VAT taxpayers have been registered in the COTS VAT database</td>
<td>2,600,000 upon achievement of DLR #1.1.2</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.1.3 At least 50,000 monthly VAT return applications have been processed by the VAT Wing for 6 consecutive months</td>
<td>2,900,000 upon achievement of DLR #1.1.3</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1.1.4 At least 500 auditors officials have been trained on COTS audit modules</td>
<td>650,000 upon achievement of DLR #1.1.4</td>
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<tr>
<td></td>
<td></td>
<td><strong>DLR#1.2:</strong> Consultant has signed a contract providing the NBR with Program management services</td>
<td>3,250,000 upon achievement of DLR #1.2.1</td>
<td>10,650,000</td>
</tr>
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<td></td>
<td></td>
<td>1.2.1 Administrative support contracts have been signed in providing administrative support</td>
<td>3,900,000 upon achievement of DLR #1.2.2</td>
<td></td>
</tr>
</tbody>
</table>
1.2.3 At least 50,000 monthly VAT payments have been processed by the VAT Wing for 6 consecutive months

1.2.4 At least 80% of VAT refund applications have been processed and disposed of by the VAT Wing within 3 months

2. **Second DLI:**
   Number of active registered VAT taxpayers

   **DLR#2.1:** Baseline of active registered VAT taxpayers under VAT Law has been established ("Active Registered Baseline")
   
   **DLR#2.2:** Each 5,000 active registered VAT taxpayers above the Active Registered Baseline

3. **Third DLI:**
   Number of active registered VAT taxpayers filing on-line

   **DLR#3.1:** Baseline of active registered VAT taxpayers filing on-line under the VAT Law has been established ("On-line Filing Baseline")

   **DLR#3.2:** Each 2,000 active registered
<table>
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<tr>
<th></th>
<th></th>
<th>VAT taxpayers filing on-line above the On-line Filing Baseline</th>
<th>2,000 upon achievement of DLR # 3.2 in a given Fiscal Year</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td><strong>Fourth DLI:</strong> Percentage of active registered LTU VAT taxpayers paying on-line</td>
<td>DLR#4.1: Baseline of LTU VAT taxpayers paying on-line under the VAT Law has been established (“LTU Baseline”)</td>
<td>650,000 upon achievement of DLR# 4.1</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLR#4.2: Each 10 percentage points increase in the proportion of active registered LTU VAT taxpayers paying on-line above the LTU Baseline</td>
<td>650,000 per each 10 percentage points upon achievement of DLR# 4.2 in a given Fiscal Year</td>
</tr>
<tr>
<td></td>
<td></td>
<td>DLR#4.3:</td>
<td>3,250,000</td>
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<td></td>
<td><strong>Fifth DLI:</strong> Greater Program transparency</td>
<td>DLR#5.1: The amount of VAT collected by NBR has been publicly disclosed on a quarterly basis at NBR’s website</td>
<td>320,000 upon achievement of two or more of the following DLRs#: DLRs#5.1, 5.2 and/or 5.3 in a given Fiscal Year</td>
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<td></td>
<td>DLR#5.2: A taxpayer satisfaction survey has been carried out and thereafter publicly disclosed</td>
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<td></td>
<td></td>
<td>DLR#5.3: A performance report of NBR’s contact center and processing center has been carried out and thereafter publicly disclosed at NBR’s website</td>
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| 6. | **Sixth DLI:**  
Strengthening of Recipient's Program fiduciary capacity | **DLR#6.1:**  
6.1.1 At least 25% of Program's national competitive bidding contracts granted during the First Fiscal Year has been carried out through electronic government procurement ("e-GP")  
6.1.2 During the First Fiscal Year, a fund utilization report has been submitted by the NBR to the Finance Division on a quarterly basis | 650,000 upon achievement of DLRs#6.1.1 and 6.1.2 in First Fiscal Year |
| | **DLR#6.2:**  
6.2.1 At least 50% of Program's national competitive bidding contracts granted during the Second Fiscal Year has been carried out through electronic government procurement ("e-GP")  
6.2.2 During the Second Fiscal year, a fund utilization report has been submitted by NBR to the Finance Division on a quarterly basis  
6.2.3 Audit observations considered significant | 650,000 upon achievement of DLRs#6.2.1, 6.2.2 and 6.2.3 in Second Fiscal Year |
have been resolved in a satisfactory manner within 6 months from the reception of annual audits reports

**DLR#6.3:**

6.3.1 At least 75% of Program’s national competitive bidding contracts granted during the Respective Fiscal Year has been carried out through electronic government procurement (“e-GP”)

6.3.2 During the Respective Fiscal Year, a fund utilization report has been submitted to the Finance Division on a quarterly basis

6.3.3 Audit observations considered significant have been resolved in a satisfactory manner within 6 months from the reception of annual audits reports

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<tbody>
<tr>
<td>7.</td>
<td>Refinancing of Preparation Advance</td>
</tr>
<tr>
<td></td>
<td>40,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>38,800,000</td>
</tr>
</tbody>
</table>
B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for purposes of Section 2.05 of the General Conditions:

(a) for payments for Program Expenditures made prior to March 12, 2014; and

(b) until and unless the Association is satisfied, based on the evidence, satisfactory to the Association, that the results set forth in the table above have been achieved.

2. Notwithstanding the provisions of Part B.1 of this Section IV, the Recipient may withdraw: (i) an amount not to exceed the equivalent of SDR 9,700,000 as an advance under Categories (1), (2), (3), (4), (5) and (6); provided, however, in each case, that if the DLRs for said Category(ies) in the opinion of the Association, are not achieved (or only partially achieved) by the Closing Date, the Recipient shall refund such advance (or portion of such advance as determined by the Association) to the Association promptly upon notice thereof by the Association. Except as otherwise agreed with the Recipient, the Association shall cancel the amount so refunded. Any further withdrawals requested as an advance under any Category shall be permitted only on such terms and conditions as the Association shall specify by notice to the Recipient.

3. Notwithstanding the provisions of Part B.1 of this Section IV, if the Association is not satisfied that any of the DLRs under Category (2), (3) or (4) has been achieved in accordance with the table above, the Association may, at any time, by notice to the Recipient, decide to: (a) authorize the withdrawal of such lesser amount of the unwithdrawn proceeds of the Financing then allocated to said Category which, in the opinion of the Association, corresponds to extent of achievement of said DLR; (b) reallocate all or a portion of the proceeds of the Financing then allocated to said DLR to any other DLR; and/or (c) cancel all or a portion of the proceeds of the Financing then allocated to said DLR.

4. The Closing Date is June 30, 2020.

5. Notwithstanding the foregoing provisions of this Section IV, if at any time after the Closing Date the Recipient has failed to provide evidence satisfactory to the Association that the Withdrawn Financing Balance does not exceed the total amount of Program Expenditures paid by the Recipient, exclusive of any such expenditures financed by any other financier or by the Association or the Association under any other loan, credit or grant, the Recipient shall, promptly upon notice from the Association, refund to the Association such excess amount of the Withdrawn Financing Balance. The Association shall cancel the refunded amount of the Withdrawn Financing Balance.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
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<tr>
<td>commencing October 15, 2014 to and including April 15, 2034</td>
<td>1%</td>
</tr>
<tr>
<td>commencing October 15, 2034 to and including April 15, 2054</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
SCHEDULE 4
Program Action Plan

Technical Actions

1. By no later than June 30, 2016, the Recipient shall establish the Active Registered Baseline referred to in DLR#2.1, the On-line Filing Baseline referred to in DLR#3.1 and the LTU Baseline referred to in DLR#4.1 of the table set forth in Section IV.A.2 of Schedule 2 to the Financing Agreement in substance and manner acceptable to the Association.

2. The Recipient shall carry out, under terms of reference acceptable to the Association, the following independent taxpayer satisfaction surveys: (a) 2014 survey by no later than June 30, 2015; (b) 2016 survey by no later than June 30, 2017; and (c) 2018 survey by no later than June 30, 2019.

Fiduciary Actions

3. By no later than twelve (12) months after the Effective Date, the Recipient shall install, and thereafter maintain throughout the implementation of the Program, a fixed asset tracking software in the VAT Wing in order to record, track and manage assets procured under the Program, including the provision of training to VAT Wing staff in the use of such software.

4. By no later than one (1) month after the Effective Date, the Recipient shall form, and thereafter maintain throughout the implementation of the Program, a seven-member team evaluation committee, under terms of reference acceptable to the Association, responsible for high value (i.e. more than US$2 million) information technology procurements under the Program; such committee to be composed by at least one national expert and two (2) international experts under terms of reference acceptable to the Association.

5. By no later than six (6) months after the Effective Date, the Recipient shall report, and thereafter continue reporting throughout the implementation of the Program, on key procurement indicators agreed with the Association using the Recipient’s procurement monitoring systems acceptable to the Association.

6. By no later than three (3) months after the Effective Date, the Recipient shall: (a) appoint under terms of reference acceptable to the Association, and thereafter maintain throughout the implementation of the Program, a focal point within the ERD responsible for, *inter alia*, coordinating, monitoring and supporting the resolution of any Program monitoring and fund release issues, including the handling of complaints and financial irregularities; and (b)(i) start collecting and compiling into formats agreed with the Association, and thereafter continue
collecting and compiling throughout the implementation of the Program, all Program fraud and corruption complaints; and (ii) submit, throughout the implementation of the Program, the aforementioned reports to the Association on a semi-annual basis.

Environmental and Social Actions

7. By no later than June 30, 2015, the Recipient shall: (a) carry out a training on e-waste handling to IT NBR staff; and (b) start, and thereafter maintain throughout the implementation of the Program, proper record keeping of equipment purchase, reused and auctioned.

8. By June 30, 2015, the Recipient shall set up the NBR’s contact center, under terms of reference acceptable to the Association, responsible for, inter alia, properly running a complaint mechanism; such mechanism shall be available on NBR’s website.
APPENDIX

Section I. Definitions

1. “ACC” means the Anti-Corruption Commission constituted under the Anti-Corruption Commission Act, 2004 (Act No. 5 of 2004) or any other successor acceptable to the Association.

2. “Action Plan” means the Recipient’s plan set forth in Schedule 4 of this Agreement and referred to in Section 1.C.2 of Schedule 2 of this Agreement, as may be amended from time to time with the agreement of the Association.


4. “Category” means a category set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

5. “COTS” means commercial off the shelf software.

6. “Disbursement Linked Indicator” or “DLI” means in respect of a given Category, the indicator related to said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement.

7. “Disbursement Linked Result” or “DLR” means in respect of a given Category, the result under said Category as set forth in the table in Section IV.A.2 of Schedule 2 to this Agreement, on the basis of the achievement of which, the amount of the Financing allocated to said result may be withdrawn in accordance with the provisions of said Section IV.

8. “ERD” means the Economic Relations Division, one of the four divisions of the Recipient’s Ministry of Finance or any other successor acceptable to the Association.

9. “Finance Division” means one of the four divisions of the Recipient’s Ministry of Finance or any other successor acceptable to the Association.

10. “Fiscal Year” means the Recipient’s fiscal year starting on July 1 of each calendar year and ending on June 30 of the following calendar year.

11. “Fifth Fiscal Year” means the fiscal year 2018 of the Recipient starting on July 1, 2017 and ending on June 30, 2018.

12. “First Fiscal Year” means the fiscal year 2014 of the Recipient starting on July 1, 2013 and ending on June 30, 2014.

14. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

15. "LTU" means the large taxpayer unit of VAT under the NBR or any other successor acceptable to the Association.

16. "NBR" means the National Board of Revenue constituted under P.O. 76 of 1972 under the Internal Resource Division of the Recipient's Ministry of Finance or any other successor acceptable to the Association.

17. "Preparation Advance" means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement dated November 11, 2012.

18. "Program Fiduciary and Environmental and Social Systems" means the Recipient's systems for the Program referred to in Section I.A of Schedule 2 to this Agreement.

19. "Respective Fiscal Year" means any of the Third Fiscal Year, the Fourth Fiscal Year or the Fifth Fiscal Year.


21. "Tax Modernization Plan" means the Recipient's plan endorsed by the Recipient's Parliament in June 2011, which sets forth the needed tax policy and administration reforms with the purpose of raising tax revenues, including VAT revenues.

22. "Third Fiscal Year" means the fiscal year 2016 of the Recipient starting on July 1, 2015 and ending on June 30, 2016.

23. "VAT" means value-added tax as defined in the VAT Law.

24. "VAT Implementation Plan" means NBR's plan endorsed by the Ministry of Finance in 2013, which sets forth the needed actions to support the implementation of the VAT Law.


26. "VAT Wing" means one of the units under NBR or any other successor acceptable to the Association.
Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Wherever used throughout the General Conditions, the term “the Project” is modified to read “the Program”, the term “the Project Agreement” is modified to read “the Program Agreement”, the term “Project Implementing Entity” is modified to read “the Program Implementing Entity”, the term “Project Report” is modified to read “Program Report”; and the term “Eligible Expenditures” is modified to read “Program Expenditures”.

2. In the Table of Contents, the references to Sections, Section names and Section numbers are modified to reflect the amendments set out below.

3. Section 2.02, *Special Commitment by the Association*, is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

4. In Section 2.02 (originally numbered as Section 2.03), the heading “Applications for Withdrawal or for Special Commitment” is replaced with “Applications for Withdrawal”, and the phrase “or to request the Association to enter into a Special Commitment” is deleted.

5. The section originally numbered as Section 2.05, *Designated Accounts* is deleted in its entirety, and the subsequent Sections in Article II are renumbered accordingly.

6. Paragraph (a) of Section 2.03 (originally numbered as Section 2.05), *Eligible Expenditures* (renamed “Program Expenditures” in accordance with paragraph 1 of this Section II), is modified to read: “(a) the payment is for the financing of the reasonable cost of expenditures required for the Program and to be financed out of the proceeds of the Financing in accordance with the provisions of the Legal Agreements;”.

7. The last sentence of Section 2.04 (originally numbered as Section 2.06), *Financing Taxes*, is modified to read: “To that end, if the Association at any time determines that the amount of any such Tax is excessive, or that such Tax is discriminatory or otherwise unreasonable, the Association may, by notice to the Recipient, exclude such amount or such Tax from the Program Expenditures to be financed out of the proceeds of the Financing, as required to ensure consistency with such policy of the Association.”

8. Section 2.06 (originally numbered as Section 2.08), *Reallocation*, is modified to read: “Notwithstanding any allocation of an amount of the Financing to a withdrawal category under the Financing Agreement, the Association may, by notice to the Recipient, reallocate any other amount of the Financing to such
category if the Association reasonably determines at any time that such reallocation is appropriate for the purposes of the Program.

9. Section 6.01, Cancellation by the Recipient, is modified to read: “The Recipient may, by notice to the Association, cancel any amount of the Unwithdrawn Financing Balance.”

10. Paragraph (d) of Section 6.03, Cancellation by the Association, entitled “Misprocurement”, is deleted, and subsequent paragraphs are relettered accordingly.

11. Section 6.04, Amounts Subject to Special Commitment not Affected by Cancellation or Suspension by the Association, is deleted in its entirety, and subsequent Sections in Article VI and references to such Sections are renumbered accordingly.

12. In the Appendix, Definitions, all references to Section numbers are modified, as necessary, to reflect the modifications set forth above. In addition, the definition of the term “Special Commitment” is deleted in its entirety, and all subsequent paragraphs are renumbered accordingly.