

CONFORMED COPY

LOAN NUMBER 4088-JM

Project Agreement

(Social Investment Fund Project)

between

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

and

JAMAICA SOCIAL INVESTMENT FUND

Dated October 2, 1996

LOAN NUMBER 4088-JM

PROJECT AGREEMENT

AGREEMENT, dated October 2, 1996, between INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) and JAMAICA SOCIAL INVESTMENT FUND (JSIF).

WHEREAS (A) by the Loan Agreement of even date herewith between Jamaica (the Borrower) and the Bank, the Bank has agreed to make available to the Borrower an amount equal to twenty million Dollars (\$20,000,000), on the terms and conditions set forth in the Loan Agreement, but only on condition that JSIF agree to undertake such obligations toward the Bank as are set forth in this Agreement;

(B) by a Subsidiary Agreement to be entered into between the Borrower and JSIF, the proceeds of the loan provided for under the Loan Agreement will be made available, on a grant basis, to JSIF on the terms and conditions set forth in said Subsidiary Agreement; and

WHEREAS JSIF, in consideration of the Bank's entering into the Loan Agreement with the Borrower, has agreed to undertake the obligations set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

Definitions

Section 1.01. Unless the context otherwise requires, the several terms defined in the Loan Agreement and the General Conditions (as so

defined) have the respective meanings therein set forth.

## ARTICLE II

### Execution of the Project

Section 2.01. (a) JSIF declares its commitment to the objectives of the Project as set forth in Schedule 2 to the Loan Agreement, and, to this end, shall carry out the Project and conduct its operations and affairs in accordance with sound administrative, financial, engineering, technical and environmental standards and practices, with qualified management and personnel, and in accordance with JSIF's Articles and the Operational Manual.

(b) Without limitation to the provisions of paragraph (a) above and for purposes of carrying out Part A of the Project, JSIF shall enter into an agreement (the Sponsor Agreement) with the Subproject Sponsor in accordance with the procedures and under terms and conditions satisfactory to the Bank, including, inter alia, those referred to in Schedule 1 to this Agreement.

(c) Except as the Bank shall otherwise agree, JSIF shall not assign, amend, terminate, abrogate, waive or fail to enforce any Sponsor Agreement or any provision thereof.

Section 2.02. Except as the Bank shall otherwise agree, procurement of the goods, works and consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 2 to this Agreement.

Section 2.03. JSIF shall carry out the obligations set forth in Sections 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09 of the General Conditions (relating to insurance, use of goods and services, plans and schedules, records and reports, maintenance and land acquisition, respectively) in respect of the Project Agreement.

Section 2.04. Without limitation to the provisions of Section 2.08 of this Agreement, JSIF shall maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with the Project indicators and targets set forth in the Operational Manual and in the corresponding annual progress reports mentioned in Section 2.09 of this Agreement, respectively, the carrying out of the Project and the achievement of the objectives thereof.

Section 2.05. JSIF shall duly perform all its obligations under the Subsidiary Agreement. Except as the Bank shall otherwise agree, JSIF shall not take or concur in any action which would have the effect of amending, assigning, abrogating, terminating, waiving or failing to enforce the Subsidiary Agreement or any provision thereof.

Section 2.06. (a) JSIF shall, at the request of the Bank, exchange views with the Bank with regard to progress of the Project, the performance of its obligations under this Agreement and under the Subsidiary Agreement, and other matters relating to the purposes of the Loan.

(b) JSIF shall promptly inform the Bank of any condition which interferes or threatens to interfere with the progress of the Project, the accomplishment of the purposes of the Loan, or the performance by JSIF of its obligations under this Agreement and under the Subsidiary Agreement.

Section 2.07. Without limitation to the provisions of Section 2.06 of this Agreement, JSIF shall: (a) not later than six months after the Effective Date furnish to the Bank, for its approval, a draft of the strategy referred to in Part B.2 of the Project; and (b) after receiving the Bank's approval of such strategy, promptly implement it as approved by the Bank.

Section 2.08. Without limitation to the provisions of Section 9.07 of the General Conditions, JSIF shall not later than fifteen working days after the end of each calendar month during Project

implementation, starting in January 1997, prepare and furnish to the Bank monthly progress reports, based on the information to be provided by the management information system referred to in Section 6.01 (d) of the Loan Agreement and in such detail as the Bank may reasonably request, with respect to the progress made by JSIF in the carrying out of the Project during the calendar month preceding the date of presentation of the corresponding report.

Section 2.09. Without limitation to the provisions of Section 9.07 of the General Conditions and Section 2.08 of this Agreement, JSIF shall not later than August 31 of each year during Project implementation, starting in 1997, prepare and furnish to the Bank an annual progress report of such scope and in such detail as the Bank may reasonably request with respect to the progress made by JSIF in the carrying out of the Project.

Section 2.10. Without limitation to the provisions of Section 2.06 of this Agreement, JSIF shall not later than September 30 of each year during Project implementation, starting in 1997, review jointly with the Bank the progress made by JSIF in: (a) the carrying out of the Project; and (b) achieving the objectives of the Project. Each such review shall also focus on discussing the corresponding progress reports referred to in Sections 2.08 and 2.09 of this Agreement. As part of each such review, the Bank may require that JSIF prepare an action plan, satisfactory to the Bank, to make adjustments in Project implementation. If so, JSIF shall prepare and furnish to the Bank not later than thirty days after the conclusion of each such review and shall thereafter carry out such action plan in accordance with its terms.

Section 2.11. (a) Without limitation to the provisions of Sections 2.06 and 2.10 of this Agreement, JSIF shall on the earlier of the dates on which Grants in an aggregate amount equal to \$7,500,000 have been committed (pursuant to paragraphs 4 (a) and (b) of Section I of Schedule 1 to this Agreement) or the date twenty four months after the Effective Date, review jointly with the Bank and the Borrower the performance of JSIF in the carrying out of Part A of the Project and discuss the matters listed in annex C to the Implementation Letter.

(b) If as a result of the review referred to in paragraph (a) above, the Bank determines that the progress achieved by JSIF in carrying out Part A of the Project is not satisfactory (based on the indicators set forth in the Operational Manual), the Bank may cease the approval of applications or the authorization of withdrawals under paragraphs 4 (a) and (b) of Section I of Schedule 1 to this Agreement until the Bank shall be satisfied based on evidence satisfactory to the Bank that JSIF is carrying out such Part of the Project in a manner satisfactory to the Bank, provided, however, that if such cessation continues for more than sixty days after the conclusion of such review the Bank may, by notice to JSIF and the Borrower, cancel the unwithdrawn amount of the Loan allocated to Part A of the Project or any part thereof.

Section 2.12. JSIF shall: (a) update semi-annually during Project implementation, starting six months after the Effective Date, the Unit Cost System in a manner satisfactory to the Bank; and (b) thereafter, not later than thirty days after the conclusion of each update furnish to the Bank the updated information.

### ARTICLE III

#### Financial Covenants

Section 3.01. (a) JSIF shall maintain records and accounts adequate to reflect in accordance with sound accounting practices its operations and financial condition, including separate accounts to reflect the operations, resources and expenditures of JSIF in respect of the Project.

(b) JSIF shall:

(i) have its records, accounts and financial statements

(balance sheets, statements of income and expenses and related statements) for each Fiscal Year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Bank;

- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year: (A) certified copies of its financial statements for such year as so audited; and (B) the report of such audit by said auditors of such scope and in such detail as the Bank shall have reasonably requested; and
- (iii) furnish to the Bank such other information concerning said records, accounts and financial statements as well as the audit thereof, as the Bank shall from time to time reasonably request.

#### ARTICLE IV

##### Effective Date; Termination; Cancellation and Suspension

Section 4.01. This Agreement shall come into force and effect on the date upon which the Loan Agreement becomes effective.

Section 4.02. This Agreement and all obligations of the Bank and of JSIF thereunder shall terminate on the date on which JSIF has complied with the obligation set forth in Section 9.07 (c) of the General Conditions.

Section 4.03. All the provisions of this Agreement shall continue in full force and effect notwithstanding any cancellation or suspension under the General Conditions.

#### ARTICLE V

##### Miscellaneous Provisions

Section 5.01. Any notice or request required or permitted to be given or made under this Agreement and any agreement between the parties contemplated by this Agreement shall be in writing. Such notice or request shall be deemed to have been duly given or made when it shall be delivered by hand or by mail, telegram, cable, telex or radiogram to the party to which it is required or permitted to be given or made at such party's address hereinafter specified or at such other address as such party shall have designated by notice to the party giving such notice or making such request. The addresses so specified are:

For the Bank:

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

Cable address:

Telex:

INTBAFRAD                      248423 (MCI) or  
Washington, D.C.              64145 (MCI)

For JSIF:

Jamaica Social Investment Fund  
10 St. Lucia Crescent  
Kingston 5  
Jamaica

Section 5.02. Any action required or permitted to be taken, and any document required or permitted to be executed, under this Agreement

on behalf of JSIF, or by JSIF on behalf of the Borrower under the Loan Agreement, may be taken or executed by JSIF's Managing Director or such other person or persons as such Managing Director shall designate in writing, and JSIF shall furnish to the Bank sufficient evidence of the authority and the authenticated specimen signature of each such person.

Section 5.03. This Agreement may be executed in several counterparts, each of which shall be an original, and all collectively but one instrument.

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

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

JAMAICA SOCIAL INVESTMENT FUND

By /s/ Wesley Hughes  
Authorized Representative

SCHEDULE 1

Procedures for and Terms and Conditions  
of Grants and Sponsor Agreements

Section I: Grants

1. To qualify for a Grant: (a) a JSIF Subproject must be appraised by JSIF in accordance with the criteria and procedures set forth in the Operational Manual; (b) a JSIF Subproject must be environmentally sound as determined by the assessment to be carried out by JSIF in accordance with the criteria set forth in the Operational Manual; (c) JSIF must have prepared and furnished to the Bank, an action plan satisfactory to the Bank, to mitigate any potential negative environmental impact determined under the assessment referred to in (b) herein; and (d) a Subproject Sponsor must have met the eligibility criteria set forth in the Operational Manual.

2. Each Grant will finance up to 95% of the total cost of the JSIF Subproject. Subproject Sponsors will ensure the financing of at least 5% of the total cost of the JSIF Subproject in the manner referred to in paragraph (b) of Section II of this Schedule.

3. No expenditures for goods, works or services required for a JSIF Subproject shall be eligible for financing out of the proceeds of the Loan unless:

(a) the Grant for such JSIF Subproject (other than a Free-Limit Grant) shall have been approved by the Bank and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the application and information required under paragraph 4 (a) of this Section in respect of such Grant, with the exception of such expenditures under Grants made prior to the date of this Agreement as referred to in paragraph 3 (a) of Schedule 1 to the Loan Agreement; or

(b) the Grant for such JSIF Subproject shall have been a Free-Limit Grant for which the Bank has authorized withdrawals from the Loan Account and such expenditures shall have been made not earlier than ninety days prior to the date on which the Bank shall have received the request and information required under paragraph 4 (b) of this Section in respect of such Free-Limit Grant, with the exception of such expenditures under Grants made prior to the date of this Agreement as referred to in paragraph 3 (a) of Schedule 1 to the Loan Agreement.

4. (a) When presenting a Grant (other than a Free-Limit Grant) to the Bank for approval, JSIF shall furnish to the Bank an application, in form satisfactory to the Bank, together with: (i) information on the Subproject Sponsor and Beneficiaries and the appraisal and environmental assessment of the JSIF Subproject (as mentioned in paragraph 1 (a) and (b) of this Section), including a description of the expenditures proposed to be financed out of the proceeds of the Loan; (ii) a copy of the corresponding Sponsor Agreement; and (iii) such other information as the Bank shall reasonably request.

(b) Each request by JSIF for authorization to make withdrawals from the Loan Account in respect of a Free-Limit Grant shall contain: (i) a summary description of the JSIF Subproject, the Subproject Sponsor and the Beneficiary, including a description of the expenditures proposed to be financed out of the proceeds of the Loan; and (ii) the terms and conditions of the Grant.

(c) Applications and requests made pursuant to the provisions of subparagraphs (a) and (b) of this paragraph shall be presented to the Bank on or before June 30, 2000.

## Section II: Sponsor Agreement

Each Sponsor Agreement shall, inter alia, contain:

(a) the obligation of JSIF to carry out, on behalf of the Subproject Sponsor, the JSIF Subproject with due diligence and efficiency and in accordance with sound technical, financial, managerial and environmental standards;

(b) the obligation of the Subproject Sponsor to ensure the financing of at least 5% of the total cost of the JSIF Subproject, such financing to be made either: (i) in cash; (ii) in kind; (iii) through the provision of labor; or (iv) by means of any combination thereof;

(c) the obligation of JSIF to carry out the action plan referred to in paragraph 1 (c) of Section I of this Schedule in accordance with its terms;

(d) the right of the Subproject Sponsor to monitor the JSIF Subproject; and

(e) the right of JSIF to suspend or terminate the right of the Subproject Sponsor to benefit from the proceeds of the respective Grant upon failure by the Subproject Sponsor to perform any of its obligations under the corresponding Sponsor Agreement.

## SCHEDULE 2

### Procurement and Consultants' Services

#### Section I. Procurement of Goods and Works

##### Part A: General

Goods and works shall be procured in accordance with the provisions of Section I of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in January 1995 and revised in January 1996 (the Guidelines) and the following provisions of this Section, as applicable.

Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods (other than vehicles and computer equipment) shall be procured under contracts awarded in accordance with the provisions of Section II of the Guidelines and paragraph 5 of Appendix 1 thereto.

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

(a) Grouping of Contracts

To the extent practicable, contracts for goods (other than vehicles and computer equipment) shall be grouped into bid packages estimated to cost the equivalent of \$150,000 or more each.

(b) Preference for Domestically Manufactured Goods

The provisions of paragraphs 2.54 and 2.55 of the Guidelines and Appendix 2 thereto shall apply to goods manufactured in the territory of the Borrower.

Part C: Other Procurement Procedures

1. Limited International Bidding

Computer equipment and vehicles shall be procured under contracts awarded in accordance with the provisions of paragraph 3.2 of the Guidelines.

2. National Competitive Bidding

(a) Goods (other than computer equipment and vehicles) estimated to cost more than \$25,000 equivalent but less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$1,600,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(b) Works estimated to cost \$100,000 equivalent or more, shall be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines.

(c) All procurement of goods and works under this Part C.2 shall be carried out using standard bidding documents acceptable to the Bank.

3. International and National Shopping

Goods (other than computer equipment and vehicles) estimated to cost \$25,000 equivalent or less per contract, up to an aggregate amount not to exceed \$1,200,000 equivalent, may be procured under contracts awarded on the basis of international or national shopping procedures in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

4. Direct Contracting

(a) Goods to be financed under Grants which should either: (i) be procured as an extension of an existing contract; or (ii) must be purchased from the original supplier to be compatible with existing equipment; or (iii) are of a proprietary nature; or (iv) are required to respond to natural disasters and costing \$2,000 equivalent or less per JSIF Subproject, up to an aggregate amount not to exceed \$90,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraph 3.7 of the Guidelines.

(b) Works which should either: (i) be procured as an extension of an existing contract; or (ii) are required to respond to natural disasters and costing \$25,000 equivalent or less per JSIF Subproject, up to an aggregate amount not to exceed \$430,000 equivalent, may, with the Bank's prior agreement, be procured in accordance with the

provisions of paragraph 3.7 of the Guidelines.

#### 5. Procurement of Small Works

Works estimated to cost less than \$100,000 equivalent per contract, up to an amount not to exceed \$6,000,000 equivalent, may be procured under lump-sum, fixed-price contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

#### Part D: Review by the Bank of Procurement Decisions

##### 1. Procurement Planning

Prior to the issuance of any invitations to bid for contracts, the proposed procurement plan for Part B of the Project shall be furnished to the Bank for its review and approval, in accordance with the provisions of paragraph 1 of Appendix 1 to the Guidelines. Procurement of all goods shall be undertaken in accordance with such procurement plan as shall have been approved by the Bank, and with the provisions of said paragraph 1.

##### 2. Prior Review

With respect to: (a) each contract to be awarded under Parts B and C.1 of this Section; (b) each contract for goods to be awarded under Part C.2 (a) of this Section estimated to cost more than \$100,000 equivalent; and (c) each contract for works to be awarded under Part C.2 (b) of this Section estimated to cost more than \$200,000 equivalent, the procedures set forth in paragraphs 2 and 3 of Appendix 1 to the Guidelines shall apply.

##### 3. Post Review

With respect to each contract not governed by paragraph 2 of this Part, the procedures set forth in paragraph 4 of Appendix 1 to the Guidelines shall apply.

#### Section II. Employment of Consultants

1. Consultants' services shall be procured under contracts awarded in accordance with the provisions of the "Guidelines for the Use of Consultants by World Bank Borrowers and by the World Bank as Executing Agency" published by the Bank in August 1981 (the Consultant Guidelines). For complex, time-based assignments, such contracts shall be based on the standard form of contract for consultants' services issued by the Bank, with such modifications as shall have been agreed by the Bank. Where no relevant standard contract documents have been issued by the Bank, other standard forms acceptable to the Bank shall be used.

2. Notwithstanding the provisions of paragraph 1 of this Section, the provisions of the Consultant Guidelines requiring prior Bank review or approval of budgets, short lists, selection procedures, letters of invitation, proposals, evaluation reports and contracts shall not apply to: (a) contracts for the employment of consulting firms estimated to cost: (i) less than \$25,000 equivalent each under JSIF Subprojects; and (ii) less than \$100,000 equivalent each under Part B of the Project; or (b) contracts for the employment of individuals estimated to cost: (i) less than \$25,000 equivalent under JSIF Subprojects; and (ii) less than \$50,000 equivalent each under Part B of the Project. However, said exceptions to prior Bank review shall not apply to: (a) the terms of reference for such contracts; (b) single-source selection of consulting firms; (c) assignments of a critical nature, as reasonably determined by the Bank; (d) amendments to contracts for the employment of consulting firms raising the contract value to: (i) \$25,000 equivalent or above under JSIF Subprojects; and (ii) \$100,000 equivalent or above under Part B of the Project; (e) amendments to contracts for



the employment of individual consultants raising the contract value to:  
(i) \$25,000 equivalent or above under JSIF Subprojects; and (ii) \$50,000  
equivalent or above under Part B of the Project; or (f) contracts for  
the positions listed in annex D to the Implementation Letter.

