

CONFORMED COPY

LOAN NUMBER 3174 JM

Loan Agreement

(Agricultural Sector Adjustment Loan)

between

JAMAICA

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated March 23, 1990

LOAN NUMBER 3174 JM

LOAN AGREEMENT

AGREEMENT, dated March 23, 1990, between JAMAICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS (A) the Bank has received a letter dated November 2, 1989 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's agricultural sector (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Bank in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the

Bank has decided in support of the Program to provide such assistance to the Borrower by making the Loan in two tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

#### ARTICLE I

##### General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Loan and Guarantee Agreements" of the Bank, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 11, shall be modified to read:

'Project' means the imports and other activities that may be financed out of the proceeds of the Loan pursuant to the provisions of Schedule 1 to the Loan Agreement. ";

(b) Section 9.07 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Bank, the Borrower shall prepare and furnish to the Bank a report, of such scope and in such detail as the Bank shall reasonably request, on the execution of the program referred to in the Preamble to the Loan Agreement, the performance by the Borrower and the Bank of their respective obligations under the Loan Agreement and the accomplishment of the purposes of the Loan. n; and

(c) The last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SITC" means the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986); and

(b) "J\$" means Jamaican dollars, the currency unit of the Borrower.

#### ARTICLE II

##### The Loan

Section 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Loan Agreement, various currencies that shall have an aggregate value equivalent to the amount of twenty-five million dollars (\$25,000,000), being the sum of withdrawals of the proceeds of the Loan with each withdrawal valued by the Bank as of the date of such withdrawal.

Section 2.02. The amount of the Loan may be withdrawn from the Loan Account in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be March 30, 1991 or such later date as the Bank shall establish. The Bank shall promptly notify the Borrower of such later date.

Section 2.04. The Borrower shall pay to the Bank a commitment charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Loan not withdrawn from time to time.

Section 2.05. (a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Interest Period equal to the Cost of Qualified Borrowings determined in respect of the preceding Semester, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rate applicable during such Interest Period.

(b) As soon as practicable after the end of each Semester, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Semester.

(c) For the purposes of this Section:

(i) "Interest Period" means a six-month period ending on the date immediately preceding each date specified in Section 2.06 of this Agreement, beginning with the Interest Period in which this Agreement is signed.

(ii) "Cost of Qualified Borrowings" means the cost, as reasonably determined by the Bank and expressed as a percentage per annum, of the outstanding borrowings of the Bank drawn down after June 30, 1982, excluding such borrowings or portion thereof as the Bank has allocated to fund: (A) the Bank's investments; and (B) loans which may be made by the Bank after July 1, 1989 bearing interest rates determined otherwise that as provided in paragraph (a) of this Section.

(iii) "Semesters" means the first six months or the second six months of a calendar year.

(d) On such date as the Bank may specify by no less than six months' notice to the Borrower, paragraphs (a), (b) and (c) (iii) of this Section shall be amended to read as follows:

"(a) The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, at a rate for each Quarter equal to the Cost of qualified Borrowings determined in respect of the preceding Quarter, plus one-half of one percent (1/2 of 1%). On each of the dates specified in Section 2.06 of this Agreement, the Borrower shall pay interest accrued on the principal amount outstanding during the preceding Interest Period, calculated at the rates applicable during such Interest Period."

"(b) As soon as practicable after the end of each Quarter, the Bank shall notify the Borrower of the Cost of Qualified Borrowings determined in respect of such Quarter."

"(c) (iii) 'Quarter' means a three-month period commencing on January 1, April 1, July 1 or October 1 in a calendar year."

Section 2.06. Interest and other charges shall be payable semiannually on May 15 and November 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Loan in accordance with the amortization schedule set forth in Schedule 2 to this Agreement.

Section 2.08. (a) Bank of Jamaica is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

(b) Without limitation or restriction to the foregoing, the Borrower hereby entrusts the Bank of Jamaica with responsibility for the preparation of withdrawal applications under the Loan and for the collection of the documents and other evidence to be furnished to the Bank in support of such applications; such withdrawal applications shall to the extent practicable be consolidated so as to apply for withdrawal of aggregate amounts of not less than \$250,000 equivalent.

### ARTICLE III

#### Particular Covenants

Section 3.01. (a) The Borrower and the Bank shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 4 to this Agreement.

(b) Prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and cogent a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 3 to this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Loan.

(b) The Borrower shall:

(i) have the records and accounts referred to in paragraph (a) of this Section 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 four months after the end of each such year, a certified copy of 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 and accounts and the audit thereof as the Bank shall from time to time reasonably request.
- (c) For all expenditures with respect to which withdrawals from the Loan Account were made on the basis of statements of expenditure, the Borrower shall:
- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
  - (ii) retain, until at least one year after the Bank has received the audit report for the fiscal year in which the last withdrawal from the Loan Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
  - (iii) enable the Bank's representatives to examine such records; and
  - (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

#### ARTICLE IV

##### Additional Events of Suspension

Section 4.01. Pursuant to Section 6.02 (k) of the General Conditions, the following additional event is specified, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part thereof, will be carried out.

#### ARTICLE V

##### Effective Date; Termination

Section 5.01. The date June 26, 1990 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VI

##### Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.08 (a) of this Agreement, the Minister of Finance of the

Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Planning  
30 National Heroes Circle  
Kingston  
Jamaica

|                                 |             |
|---------------------------------|-------------|
| Cable address:                  | Telex:      |
| Ministry of Finance<br>Kingston | 2447 MINFAN |

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<br>Washington, D.C. | 197688 (TRT)<br>248423 (RCA)<br>64145 (WUI) or<br>82987 (FTCC) |

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.

JAMAICA

By /s/ Keith Johnson  
Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

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

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Loan may be withdrawn from the Loan Account for expenditures made (or, if the Bank shall so agree, to be made) in respect

of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups, or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

| Group | Sub-group | Description of Items  |
|-------|-----------|---|
| 112   | -         | Alcoholic beverages   |
| 121   | -         | Tobacco, unmanufactured, tobacco refuse   |
| 122   | -         | Tobacco, manufactured (whether or not containing tobacco substitutes)   |
| 525   | -         | Radioactive and associated materials  |
| 667   | -         | Pearls, precious and semi-precious stones,  |
| 718   | 718.7     | Nuclear reactors, and parts thereof, fuel elements (cartridges), non-irradiated for nuclear reactors  |
| 897   | 897.3     | Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems) |
| 971   | -         | Gold, non-monetary (excluding gold ores and concentrates)   |

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower;

(c) payments made for expenditures prior to the date of this Agreement, except that withdrawals in an aggregate amount not exceeding the equivalent of \$5,000,000 may be made on account of payments made for such expenditures before that date but after October 31, 1989;

(d) expenditures for goods procured under contracts costing less than \$5,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Bank shall have financed or agreed to finance;

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;

(g) expenditures for petroleum products, or in excess of an aggregate amount equivalent to \$5,000,000,

for foodstuffs; and

(h) expenditures for goods imported under contracts for the supply of commodities if such contracts were awarded by direct contracting without competition.

3. Withdrawals for expenditures under contracts for the procurement of goods estimated to cost less than \$1,500,000 may be permitted by the Bank upon the basis of statements of expenditure under such terms and conditions as the Bank shall specify.

4. No withdrawal shall be made and no commitment shall be entered into to pay amounts to or on the order of the Borrower in respect of expenditures to be financed out of the proceeds of the Loan after the aggregate of the proceeds of the Loan withdrawn from the Loan Account and the total amount of such commitments shall have reached the equivalent of \$12,500,000, unless the Bank shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement based on evidence satisfactory to the Bank: (a) with the progress achieved by the Borrower in the carrying out of the Program; (b) that the macro-economic policy framework of the Borrower is consistent with the objectives of the Program; and (c) that the actions described in Schedule 4 to this Agreement have been taken.

5. If, after the exchange of views described in paragraph 4 above, the Bank shall have given notice to the Borrower that the macro-economic policy framework of the Borrower is not consistent with the objectives of the Program or that the progress achieved in carrying out the Program or actions taken pursuant to Schedule 4 of this Agreement are not satisfactory and, within 90 days after such notice, the Borrower shall not have achieved progress and taken actions satisfactory to the Bank, then the Bank may, by notice to the Borrower, cancel the unwithdrawn amount of the Loan or any part thereof.

## SCHEDULE 2

### Amortization Schedule

| Date Payment Due   | Payment of Principal<br>(expressed in dollars) |
|--|--|
| On each May 15 and November 15<br>beginning November 15, 1995<br>through November 15, 2006 | 1,040,000                                      |
| On May 15, 2007  | 1,080,000                                      |



\* The figures in this column represent dollar equivalents determined as of the respective dates of withdrawal. See General Conditions, Sections 3.04 and 4.03.

#### Premiums on Prepayment

The following premiums are specified for the purposes of Section 3.04 (b) of the General Conditions:

| Time of Prepayment  | Premium   |
|---|---|
|   | The interest rate (expressed as a percentage per annum) applicable to the balance outstanding on the Loan on the day of prepayment multiplied by: |
| Not more than three years before maturity                         | 0.18  |
| More than three years but not more than six years before maturity | 0.35  |
| More than six years but not more than 11 years before maturity    | 0.65  |
| More than 11 years but not more than 15 years before maturity     | 0.88  |
| More than 15 years before maturity                                | 1.00  |

#### SCHEDULE 3

##### Procurement

1. Contracts for the procurement of goods estimated to cost the equivalent of \$1,500,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and

the following is substituted there for:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Business; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods estimated to cost the equivalent of less than \$1.500.000 shall be awarded

(a) by purchasers subject to the Borrower's public procurement procedures for the importation of goods, on the basis of limited international bidding under such procedures, provided that such procedures shall have been found acceptable by the Bank; or

(b) by other purchasers, in accordance with established commercial practice, provided that such contracts shall be awarded on the basis of evaluation and comparison of quotations obtained from suppliers from at least two countries, except where direct contracting is permitted under paragraph 3.5 of the Guidelines.

3. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect of such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Bank shall reasonably request.

4. With respect to each contract referred to in paragraph 2 of this Schedule, the Borrower shall furnish to the Bank, prior to the submission to the Bank of the first application for withdrawal of funds from the Loan Account in respect thereof, such documentation and information as the Bank may reasonably request to support

withdrawal applications in respect of such contract.

5. The provisions of the preceding paragraphs 3 and 4 shall not apply to contracts on account of which the Bank has authorized withdrawals from the Loan Account on the basis of statements of expenditure.

#### SCHEDULE 4

##### Actions Referred to in Paragraph 4 (c) of Schedule 1 to this Agreement

1. The Borrower shall have commenced implementing a program, satisfactory to the Bank, for annual reduction in tariffs for imports of agricultural and agroindustrial products.

2. (a) The Borrower's Agricultural Credit Bank shall apply a credit policy whereby interest rates on the loans it rediscounts will be adjusted quarterly and will be set as follows:

(i) for Large and Medium Farmers, the rate shall be equal to the Average Treasury Bill Rate corresponding to the day prior to the first day of each quarter; and

(ii) for Small Farmers the rate shall be equal to the Average Treasury Bill Rate corresponding to the day prior to the first day of each quarter less seven percentage points.

(b) For purposes of this paragraph:

(i) "Large and Medium Farmers" means farmers with farms of an area exceeding 25 acres;

(ii) "Small Farmers" means farmers with farms of an area of 25 acres or less; and

(iii) "Average Treasury Bill Rate" means the average yield of the Treasury Bills issued by the Borrower during the previous twelve months as published in the Statistical Digest of the Bank of Jamaica.

3. The Borrower shall have submitted to its Parliament draft legislation, satisfactory to the Banks reforming the Borrower's Cooperative Societies Act of 1950, so as to enable credit unions to set freely their active and passive interest rates.

4. The Borrower shall have taken all necessary action, including any legislative action required, to: (a) lift all restrictions on individuals and private firms to engage in the purchase, processing and exporting of cocoa and cocoa products; (b) retain in its Cocoa Industry Board, a function of quality control over the cocoa output of private exporters; and (c) authorize that membership of cocoa producers and processors in the Borrower's Cocoa Industry Board be voluntary and discontinue any cess on nonmembers of such Cocoa Industry Board.

5. The Borrower shall have taken all necessary action, including any legislative action required, to: (a) lift all restrictions on private firms and individuals to engage in the purchase, processing and exporting of citrus and citrus products; and (b) simplify the procedures for review of the Borrower's marketing plans

set forth in the Borrower's Agriculture Marketing Act of 1944.

6. The Borrower's total fiscal cost of its generalized food subsidy program (as set forth in the Borrower's Jamaica Commodity Trading Corporation's operating plans) projected for its Fiscal Year 1990 shall not exceed J\$130,000,000.

7. The Borrower shall have made progress, satisfactory to the Bank, in the implementation of its program of titling of public lands relating to the 2000 titles to be issued during 1989.

8. The Borrower shall have made progress, satisfactory to the Bank, in its program of divestment of public lands relating to the 7000 acres to be sold during 1989.

9. The Borrower shall have completed the negotiations for divestitures of at least five small agricultural and agroindustrial enterprises with assets valued at less than \$2,000,000 equivalent each, and at least one agricultural or agroindustrial enterprise with assets in excess of that amount or, in each of the cases where negotiations have not been completed, that alternative actions, satisfactory to the Bank, shall have been taken to dispose of the assets of the applicable enterprise or enterprises.

10. The Borrower shall have completed a study, satisfactory to the Bank, on the policies and regulatory arrangements relating to the use of chemical pesticide and based on the results of such study shall have furnished to the Bank a plan of action, satisfactory to the Bank, for the reduction in the use of chemical pesticides in agricultural operations in the Borrower's territory.

