

CONFORMED COPY

LOAN NUMBER 7076-JM

Loan Agreement

(Social Safety Net Project)

between

JAMAICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT

Dated October 10, 2001

LOAN NUMBER 7076-JM

LOAN AGREEMENT

AGREEMENT, dated October 10, 2001, between JAMAICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank).

WHEREAS the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement (the Project), has requested the Bank to assist it in the financing of the Project; and

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the Loan provided for in Article II of this Agreement (the Loan) upon the terms and conditions set forth in this Agreement;

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 for Fixed-Spread Loans" of the Bank dated September 1, 1999 (the General Conditions) constitute an integral part of this Agreement.

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) "Annual Action Plan" means any of the plans referred to in Section 3.03

of this Agreement;

(b) "Eligible Categories" means Categories (1) through (4) set forth in Part A of Schedule 1 to this Agreement;

(c) "Eligible Expenditures" means the expenditures referred to in Section 2.02 of this Agreement;

(d) "Education Grant" means any of the grants to be provided under Part A of the Project;

(e) "Family Representative" means any poor children's family member collecting grants;

(f) "FY" means the Borrower's fiscal year commencing on April 1 and ending on March 31;

(g) "Grant" means either an Education Grant or a Health Grant (as hereinafter defined);

(h) "Health Grant" means any of the grants to be provided under Part B of the Project;

(i) "Jamaican Dollar or J\$" means the lawful currency of the Borrower;

(j) "MLSS" means the Borrower's Ministry of Labor and Social Security;

(k) "Operational Manual" means the manual referred to in Section 3.01. (b) of this Agreement;

(l) "Participating Agency" means a Borrower's Ministry or agency which has partial or total jurisdiction over one or more Project activities to be included in a given Annual Action Plan;

(m) "Participation Arrangement" means any of the arrangements referred to in Section 3.04 (a) of this Agreement;

(n) "Pay Agency" means any financial institution, acceptable to the Bank, that enters into a Pay Agency Agreement;

(o) "Pay Agency Agreement" means any of the agreements to be entered into between the Borrower, through MLSS, and the Pay Agency, under terms and conditions satisfactory to the Bank, including inter alia, the Pay Agency undertaking to make, as an agent of the Borrower, all payments of expenditures under Parts A and B of the Project, and to provide assistance to the Borrower with respect to the Borrower's financial management obligations under this Agreement;

(p) "PCU" means the Project Coordination Unit referred to in Section 3.05 of this Agreement;

(q) "Performance Indicators" means the indicators set forth in a letter from the Borrower to the Bank of even date herewith;

(r) "Project Management Report" means each report prepared in accordance with Section 4.02 of this Agreement;

(s) "Social Assistance Grants to Adults" means any of the grants to be provided under Part C of the Project and financed exclusively by the Borrower with Borrower's counterpart funds; and

(t) "Special Account" means the account referred to in Part B of Schedule 1 to this Agreement.

## 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 this Agreement, an amount equal to forty million Dollars (\$40,000,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.09 of this Agreement.

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 for expenditures made (or, if the Bank shall so agree, to be made) in respect of the reasonable cost of Grants, goods, training, consultant's services and operational audits required for Parts A, B and D of the Project and to be financed out of the proceeds of the Loan and in respect of the front-end fee referred to in Section 2.04 of this Agreement.

Section 2.03. The Closing Date shall be June 30, 2006 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 front-end fee in an amount equal to one per cent (1%) of the amount of the Loan. The Borrower agrees that on or promptly after the Effective Date, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amount of such fee.

Section 2.05. The Borrower shall pay to the Bank a commitment charge on the principal amount of the Loan not withdrawn from time to time, at a rate equal to: (i) eighty five one-hundredths of one per cent (0.85%) per annum from the date on which such charge commences to accrue in accordance with the provisions of Section 3.02 of the General Conditions to, but not including, the fourth anniversary of such date; and (ii) seventy five one-hundredths of one per cent (0.75%) per annum thereafter.

Section 2.06. The Borrower shall pay interest on the principal amount of the Loan withdrawn and outstanding from time to time, in respect of each Interest Period at the Variable Rate; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the Borrower shall, during the Conversion Period, pay interest on such amount in accordance with the relevant provisions of Article IV of the General Conditions.

Section 2.07. Interest and commitment shall be payable semiannually in arrears on January 15 and July 15 of each year.

Section 2.08. The Borrower shall repay the principal amount of the Loan in accordance with the provisions of Schedule 3 to this Agreement.

Section 2.09. (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management:

- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency;
- (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan from a Variable Rate to a Fixed Rate, or vice versa; and
- (iii) the setting of limits on the Variable Rate applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding by the establishment of an Interest Rate Cap or Interest Rate Collar on said Variable Rate.

(b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a "Conversion", as defined in Section 2.01 (7) of the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.

#### ARTICLE III

#### Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project, and, to this end, shall carry out the Project, through MLSS, with the assistance of the Participating Agencies, with due diligence and efficiency and in conformity with appropriate educational, health, administrative, financial and social protection practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) above, the Borrower shall carry out the Project in accordance with the provisions of a manual, satisfactory to the Bank (the Operational Manual), containing the detailed procedures for the implementation of the Project, including, inter alia: (i) the requirements to be fulfilled by Family Representatives and poor children as conditions for the

provision of Grants (which shall include those set forth in Schedule 5 to this Agreement); (ii) the criteria for identification, selection and registration of Family Representatives and poor children; (iii) required documents for disbursement of Grants and the mechanisms for verification of compliance with Grant conditions; (iv) the detailed procedures for coordination and collaboration among the PCU, the Participating Agencies, the Pay Agency, and other stakeholders in the implementation of the Project; (v) the organization, terms of reference and staffing of the PCU; (vi) the financial management procedures, the control procedures for the flow of funds and the terms of reference for audits of the Project accounts; (vii) the procurement procedures; and (viii) the procedures, Project Indicators and targets for Project supervision, monitoring and evaluation. Except as the Bank shall otherwise agree, the Borrower shall not amend, waive or fail to enforce the Operational Manual, or any provision thereof. In case of any conflict between the provisions of this Agreement and those of the Operational Manual, the provisions of this Agreement shall prevail.

Section 3.02. Except as the Bank shall otherwise agree, procurement of the goods and consultants' services required for Parts A, B and D of the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement.

Section 3.03. The Borrower shall:

(a) not later than January 31 of each year during Project implementation, starting in January 31, 2002, furnish to the Bank, for its approval an annual action plan (the Annual Action Plan), each said plan to include, inter alia: (i) the Project activities to be carried out by the Borrower during the calendar year following the presentation of each said plan; and (ii) the financing and procurement plans and disbursement schedule for each said calendar year; and

(b) thereafter implement each said Annual Action Plan, approved by the Bank, in accordance with its terms.

Section 3.04. (a) The Borrower shall, through MLSS, enter into an arrangement with each relevant Participating Agency (the Participation Arrangement) on terms and conditions satisfactory to the Bank, including, inter alia: (i) the Participating Agencies' obligation to coordinate the information necessary to validate school attendance and health care check-ups required to make the Education Grants and the Health Grants; (ii) the implementation of the corresponding approved Annual Action Plans; and (iii) the commitment to comply with the provisions of the Operational Manual.

(b) (i) The Borrower shall exercise its rights and carry out its obligations under each Participation Arrangement in such manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan; and (ii) except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, terminate, waive or fail to enforce any Participation Arrangement or any provision thereof.

(c) In case of any conflict among the terms of any Participation Arrangement, the Operational Manual, and those of this Agreement, the terms of this Agreement shall prevail.

Section 3.05. (a) The Borrower shall establish, operate and maintain within MLSS, at all times during Project implementation, a PCU with a structure, functions and responsibilities acceptable to the Bank, including, inter alia, the responsibility of the PCU to assist the Borrower in the coordination, monitoring and supervision of the Project.

(b) The Borrower shall ensure that the PCU is, at all times during Project implementation, headed by a director and staffed with a financial manager, a procurement specialist and an administrative specialist, and assisted by an adequate number of professional and administrative staff, all with qualifications and experience acceptable to the Bank.

Section 3.06. The Borrower, through MLSS, shall:

(a) monitor and evaluate on an ongoing basis the implementation of the Project and the achievement of the objectives thereof, all in a manner satisfactory to the Bank and taking into account the Project Indicators and the data produced by the management and evaluation system referred to in Part D. 6 of the Project;

(b) based on the information provided by the monitoring and evaluation system

referred to in Part D.6 of the Project, conduct annual reviews with the Bank on the progress of the Project;

(c) employ auditors, under terms of reference satisfactory to the Bank, to monitor the eligibility of both Family Representatives and poor children and compliance with the requirements of Schedule 5 to this Agreement and those of the Operational Manual in respect of Grants; and

(d) maintain a Project steering committee which shall: (i) include representatives from the Borrower's agencies and ministries (such as Ministry of Finance and Planning, Planning Institute of Jamaica, Office of the Prime Minister, Ministry of Education, Youth and Culture, Ministry of Local Government and Community Development and Ministry of Health) participating in the Borrower's social safety net reform program; and (ii) be responsible for providing technical guidance, supervision and monitoring of the Project.

Section 3.07. The Borrower shall, not later than June 30 of each year during the execution of the Project, furnish to the Bank a report on the progress of the implementation of the Borrower's social safety net reform program as described in the letter of sector development policy.

Section 3.08. The Borrower, through MLSS, shall:

(a) carry out Parts A, B and C of the Project in two phases: (i) a pilot phase (the Pilot Phase) in which activities will only be carried out in one Parish (St. Catherine), during a period of eight months, starting not later than two months after the Effective Date; and (ii) a full implementation phase in which activities will be carried out in all parishes where Family Representatives and poor children are located;

(b) not later than two months before the end of the pilot phase, review jointly with the Bank, the implementation of the Pilot Phase;

(c) as part of the review referred to in paragraph (b) above an assessment of the performance of the Pay Agency under any Pay Agency Agreement shall be carried out, and, if deemed necessary by the Bank, such Pay Agency shall be replaced by another Pay Agency acceptable to the Bank;

(d) not later than at the end of the Pilot Phase, furnish to the Bank an action plan to incorporate the lessons learned from the Pilot Phase, in a manner satisfactory to the Bank, in the design of such Parts of the Project; and

(e) thereafter carry out the action plan referred to in paragraph (d) above as approved by the Bank.

Section 3.09. Without limitation to the provisions of Section 3.01 (a) of this Agreement, the Borrower shall include in each proposed annual budget to its legislature, and make available each year of Project implementation, promptly as needed, in Jamaican Dollars, the equivalent of the following minimum amounts as counterpart funds for the Project:

- (a) \$5,700,000 equivalent for FY 2002/03;
- (b) \$11,300,000 equivalent for FY 2003/04;
- (c) \$13,400,000 equivalent for FY 2004/05; and
- (d) \$6,700,000 equivalent for FY 2005/06.

Section 3.10. For the purpose of Section 9.07 of the General Conditions and without limitation thereto, the Borrower shall:

(a) prepare on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six (6) months after the Closing Date or such other date as may be agreed for this purpose between the Borrower and the Bank, a plan for the future operation of the Project; and

(b) afford the Bank a reasonable opportunity to exchange views with the Borrower on said plan.

#### ARTICLE IV

## Financial Covenants

Section 4.01. (a) The Borrower shall establish and thereafter maintain a financial management system in the PCU, including records and accounts, and prepare financial statements in a format acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Borrower, through MLSS, shall:

- (i) have the records, accounts and financial statements referred to in paragraph (a) of this Section and those for the Special Account for each fiscal year audited, in accordance with auditing standards acceptable to the Bank, 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 copies of the financial statements referred to in paragraph (a) of this Section for such year as so audited; and (B) an opinion on such statements, records and accounts and 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 such records and accounts, and the audit thereof, and concerning said auditors, as the Bank may 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 Project Management Reports or statements of expenditure, the Borrower, through MLSS, shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and separate 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 audit 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 Project Management Reports or 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.

Section 4.02. (a) Without limitation upon the provisions of Section 4.01 of this Agreement, the Borrower, through MLSS, shall carry out a time-bound action plan acceptable to the Bank for the strengthening of the financial management system referred to in paragraph (a) of said Section 4.01 in order to enable the Borrower, not later than December 15, 2001, or such later date as the Bank shall agree, to prepare every four months Project Management Reports, acceptable to the Bank, each of which:

- (i) (A) sets forth actual sources and applications of funds for the Project, both cumulatively and for the period covered by said report, and projected sources and applications of funds for the Project for the six-month period following the period covered by said report; and
- (B) shows separately expenditures financed out of the proceeds of the Loan during the period covered by said report and expenditures proposed to be financed out of the proceeds of the Loan during the six-month period following the period covered by said report;
- (ii) (A) describes physical progress in Project implementation, both cumulatively and for the period covered by said report; and

- (B) explains variances between the actual and previously forecast implementation targets; and
- (iii) sets forth the status of procurement under the Project and expenditures under contracts financed out of the proceeds of the Loan, as at the end of the period covered by said report.

(b) Upon the completion of the action plan referred to in paragraph (a) of this Section, the Borrower, through MLSS, shall prepare, in accordance with guidelines acceptable to the Bank, and furnish to the Bank not later than 45 days after the end of every four months a Project Management Report for such period.

#### ARTICLE V

##### Remedies of the Bank

Section 5.01. Pursuant to Section 6.02 (p) of the General Conditions, the following additional event is specified, namely that the Pay Agency shall have failed to perform any of its obligations under the Pay Agency Agreement.

Section 5.02. Pursuant to Section 7.01 (k) of the General Conditions, the following additional event is specified, namely, that the event specified in Section 5.01 of this Agreement shall occur and shall continue for a period of sixty days after notice thereof shall have been given by the Bank to the Borrower.

#### ARTICLE VI

##### Effective Date; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the Loan Agreement within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Operational Manual has been adopted by the Borrower in a manner satisfactory to the Bank;

(b) the financial auditors referred to in Section 4.01 (b) (i) of this Agreement have been appointed by the Borrower, in accordance with terms of reference acceptable to the Bank; and

(c) a financial management system, satisfactory to the Bank, has been established by the Borrower as provided in Section 4.01 (a) of this Agreement.

Section 6.02. The date January 10, 2002 is hereby specified for the purposes of Section 12.04 of the General Conditions.

#### ARTICLE VII

##### Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance and Planning of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. 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, P.O. Box 512  
Kingston 4  
Jamaica

Facsimile:

(876) 922-8804

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:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) or 64145 (MCI)	(202) 477-6391

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

JAMAICA

By /s/ Omar Davies  
 Authorized Representative

INTERNATIONAL BANK FOR  
 RECONSTRUCTION AND DEVELOPMENT

By /s/ David de Ferranti  
 Regional Vice President  
 Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Loan

A. General

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan, the allocation of the amounts of the Loan to each Category and the percentage of expenditures for items so to be financed in each Category:

Category	Amount of the Loan Allocated (Expressed in Dollars)	% of Expenditures to be Financed
(1) Goods for Part D of the Project	3,810,000	85%
(2) Consultant's Services for Part D of the Project and Operational and Financial Audits	6,480,000	90%
(3) Training	220,000	90%
(4) Grants	28,720,000	75% of amounts disbursed to Family Representatives of eligible children
(5) Front-end-fee	400,000	Amount due under Section 2.04 of this Agreement



(6)	Unallocated	370,000
	TOTAL	40,000,000

2. For the purposes of this Schedule

(a) the term "Operational Audit" means reasonable expenditures incurred by the Borrower to review the eligibility of both Family Representatives and poor children that receive grants; and

(b) the term "Training" means reasonable expenditures incurred by the Borrower to finance transportation costs, per diem of trainees, rental of training facilities and training materials and equipment required for training activities under Part D of the Project.

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

(a) payments made for expenditures prior to the date of this Agreement, except that withdrawals, in an aggregate amount not exceeding the amount of \$516,000, may be made in respect of Categories (1) and (2) set forth in the table in paragraph 1 of Part A of this Schedule on account of payments made within twelve months prior to the date of this Agreement, but in no case prior to June 25, 2001; and

(b) payments made for expenditures for Grants unless:

(i) the Borrower shall have furnished to the Bank evidence to the effect that operational auditors have audited each list of eligible poor children; and

(ii) the Family Representative has complied with the requirements set forth on Schedule 5 of this Agreement and in the Operational Manual and has been properly identified through a Jamaican accepted form of identification as set forth in the Operational Manual.

4. The Bank may require withdrawals from the Loan Account to be made on the basis of statements of expenditure:

(a) For contracts for goods costing less than \$25,000 equivalent per contract, with the exception of the first three contracts to be awarded under Part C.2 of Section I of Schedule 4 to this Agreement;

(b) for contracts for the employment of consultant services of firms costing less than \$100,000 equivalent per contract;

(c) for contracts for the employment of individual consultants services costing less than \$50,000 equivalent per contract; and

(d) For Training and Operational Audits, all under such terms and conditions as the Bank shall specify by notice to the Borrower.

B. Special Account

1. The Borrower shall open and maintain in Dollars a separate special deposit account in a commercial bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the Loan Account of amounts to be deposited into the Special Account shall be made as follows:

(a) until the Bank shall have received: (i) the first Project Management Report referred to in Section 4.02 (b) of this Agreement; and (ii) a request from the Borrower for withdrawal on the basis of Project Management Reports, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) upon receipt by the Bank of a Project Management Report pursuant to Section 4.02 (b) of this Agreement, accompanied by a request from the Borrower for withdrawal on the basis of Project Management Reports, all further withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Borrower out of the Special Account, the Borrower shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits into the Special Account:

(a) if the Bank determines at any time that any Project Management Report does not adequately provide the information required pursuant to Section 4.02 of this Agreement;

(b) if the Bank determines at any time that all further withdrawals should be made by the Borrower directly from the Loan Account; or

(c) if the Borrower shall have failed to furnish to the Bank within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (i) the records and accounts for the Special Account; or (ii) the records and accounts reflecting expenditures with respect to which withdrawals were made on the basis of Project Management Reports.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Borrower of its intention to suspend in whole or in part the right of the Borrower to make withdrawals from the Loan Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Borrower of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Borrower shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Borrower has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Borrower shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Borrower may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to sub-paragraph (a), (b) or (c) of this paragraph 6 shall be credited to the Loan Account for subsequent withdrawal or for cancellation in accordance with the provisions of the Loan Agreement.

#### Annex A to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Not Made On the Basis of Project Management Reports

1. For the purposes of this Annex, the term "Authorized Allocation" means the amount of \$4,000,000 to be withdrawn from the Loan Account and deposited into the Special Account pursuant to paragraph 2 of this Annex; provided, however, that unless the Bank shall otherwise agree, the Authorized Allocation shall be limited to the amount of \$1,000,000 until the aggregate amount of withdrawals from the Loan Account, plus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal or exceed the equivalent of \$4,000,000.

2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:

(a) For withdrawals of the Authorized Allocation, the Borrower shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested.

(b) For replenishment of the Special Account, the Borrower shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to, or at the time of, each such request, the Borrower shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account such amount as the Borrower shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the Loan minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the Loan Account of the remaining unwithdrawn amount of the Loan shall follow such procedures as the Bank shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

#### Annex B to SCHEDULE 1

##### Operation of Special Account When Withdrawals Are Made On the Basis of Project Management Reports

1. Except as the Bank may otherwise specify by notice to the Borrower, all withdrawals from the Loan Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the Loan Account under one or more of the Eligible Categories.

2. Each application for withdrawal from the Loan Account for deposit into the Special Account shall be supported by a Project Management Report.

3. Upon receipt of each application for withdrawal of an amount of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the Project Management Report accompanying said application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such report; provided, however, that the amount so deposited, when added to the amount indicated by said Project Management Report to be remaining in the Special Account, shall not exceed the amount of \$7,000,000.

#### SCHEDULE 2

##### Description of the Project

The objective of the Project is to provide better and more cost effective social assistance to the extreme poor in the Borrower's territory.

The Project consists of the following parts, subject to such modifications thereof as the Borrower and the Bank may agree upon from time to time to achieve such objectives:

##### Part A: Education Grants

Provision of grants (the Education Grants) to the Family Representative of poor children aged six (6) years old up to seventeen (17) years old, who meet the criteria set forth in the Operational Manual, to finance scholarships in primary (grades 1- 6)

or secondary (grades 7-12) education schools as provided in the Operational Manual.

Part B: Health Grants

Provision of grants (the Health Grants) to the Family Representative of poor children who are six (6) years old or younger, who are not yet enrolled in school and meet the criteria set forth in the Operational Manual, for the purposes of assisting in the health care needs of said poor children.

Part C: Social Assistance Grants to Adults

Provision of grants to: (a) poor pregnant and lactating women, who meet the eligibility criteria set forth in the Operational Manual, for the purposes of assisting in the health care needs of said women; (b) elderly poor 65 years of age and over, who meet the criteria set forth in the Operational Manual, for the purposes of assisting in the health care needs of said adults; and (c) poor disabled and destitute adults under 65 years of age, who meet the criteria set forth in the Operational Manual, for the purposes of assisting in the health care needs of said adults.

Part D: Institutional Strengthening

1. Strengthening of MLSS's capacity to operate a streamlined and efficient social assistance system in Jamaica, through the design and implementation of a program to identify and target potential beneficiaries.
2. The acquisition of equipment for the management of information on the social assistance programs.
3. Carrying out of an information campaign to promote and disseminate the objectives of the Project and the availability of the Grants among the general public, potential beneficiaries and stakeholders.
4. Provision of training to: (a) staff at MLSS, Ministry of Education, Youth and Culture, Ministry of Health; and (b) Family Representatives and other relevant members of civil society.
5. Consolidation of the Borrower's cash or cash-equivalent transfer programs on social assistance into a unified program.
6. Establishment and operation of a system to monitor and evaluate the implementation of the Project.
7. Carrying out of workshops, research and analysis to strengthen the Borrower's social protection policies.

\* \* \*

The Project is expected to be completed by December 31, 2005.

SCHEDULE 3

Amortization Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (Installment Share). If the proceeds of the Loan shall have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) the total principal amount of the Loan withdrawn and outstanding as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayment amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

Payment Date	Installment Share (Expressed as a %)
On each January 15 and July 15	
beginning January 15, 2007 through January 15, 2019	4.00%

2. If the proceeds of the Loan shall not have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows:

(a) To the extent that any proceeds of the Loan shall have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the amount withdrawn and outstanding as of such date in accordance with paragraph 1 of this Schedule.

(b) Any withdrawal made after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which shall be the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (the Original Installment Share) and the denominator of which shall be the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such repayment amounts to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Withdrawals made within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of sub-paragraph (a) of this paragraph 3, if at any time the Bank shall adopt a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such sub-paragraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the withdrawn principal amount of the Loan to an Approved Currency, the amount so converted in said Approved Currency that shall be repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to said Conversion by either: (a) the exchange rate that reflects the amounts of principal in said Approved Currency payable by the Bank under the Currency Hedge Transaction relating to said Conversion; or (b) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

5. If the principal amount of the Loan withdrawn and outstanding from time to time shall be denominated in more than one Loan Currency, the provisions of this Schedule shall apply separately to the amount denominated in each Loan Currency, so as to produce a separate amortization schedule for each such amount.

#### SCHEDULE 4

#### Procurement

#### Section I. Procurement of Goods

#### Part A: General

Goods 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 and August 1996, September 1997 and January 1999 (the Guidelines) and the following provisions of Section I of this Schedule.

#### Part B: International Competitive Bidding

1. Except as otherwise provided in Part C of this Section, goods 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 shall be grouped in bid packages estimated to cost \$150,000 equivalent 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. National Competitive Bidding

Goods estimated to cost less than \$150,000 equivalent per contract, up to an aggregate amount not to exceed \$2,420,000 equivalent, may be procured under contracts awarded in accordance with the provisions of paragraphs 3.3 and 3.4 of the Guidelines, using standard bidding documents satisfactory to the Bank

2. Shopping

Goods estimated to cost less than \$25,000 equivalent per contract, up to an aggregate amount not to exceed \$490,000 equivalent, may be procured under contracts awarded on the basis of shopping procedures, in accordance with the provisions of paragraphs 3.5 and 3.6 of the Guidelines.

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 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 and Section 3.03 (a) (ii) of this Agreement. 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 and said Section 3.03 (a) (ii).

2. Prior Review

With respect to: (a) each contract for goods procured in accordance with the procedures referred to in Part B.1 of this Section; and (b) the first three contracts for goods procured in accordance with the procedures referred to in Part C.1 of this Section, 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

Part A: General

Consultants' services shall be procured in accordance with the provisions of the Introduction and Section IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" published by the Bank in January 1997 and revised in September 1997 and January 1999 (the Consultant Guidelines) and the following provisions of Section II of this Schedule.

Part B: Quality- and Cost-based Selection

Except as otherwise provided in Part C of this Section, consultants' services shall be procured under contracts awarded in accordance with the provisions of Section II of the Consultant Guidelines, paragraph 3 of Appendix 1 thereto, Appendix 2 thereto, and the provisions of paragraphs 3.13 through 3.18 thereof applicable to quality- and cost-based selection of consultants.

Part C: Other Procedures for the Selection of Consultants

1. Selection Based on Consultants' Qualifications

Consultant's services estimated to cost less than \$100,000 equivalent per contract, up to an aggregate amount equivalent to \$820,000 may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1 and 3.7 of the Consultant Guidelines, and the provisions of paragraph 3 of Appendix 1 thereof.

## 2. Individual Consultants

Consultant's services (with the exception of temporary personnel working for MLSS) for tasks that meet the requirements set forth in paragraph 5.1 of the Consultant Guidelines, costing in the aggregate not more than the equivalent of \$500,000, shall be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.1 through 5.3 of the Consultant Guidelines, and the provisions of paragraph 3 of Appendix 1 thereof.

### Part D: Review by the Bank of the Selection of Consultants

#### 1. Selection Planning

Prior to the issuance to consultants of any requests for proposals, the proposed plan for the selection of consultants under 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 Consultant Guidelines and Section 3.03 (a) (ii) of this Agreement. Selection of all consultants' services shall be undertaken in accordance with such selection plan as shall have been approved by the Bank, and with the provisions of said paragraph 1 and said Section 3.03 (a) (ii).

#### 2. Prior Review

(a) With respect to each contract for the employment of consulting firms estimated to cost the equivalent of \$100,000 or more, the procedures set forth in paragraphs 1, 2 (other than the third subparagraph of paragraph 2(a)) and 5 of Appendix 1 to the Consultant Guidelines shall apply.

(b) With respect to each contract for the employment of individual consultants estimated to cost the equivalent of \$50,000 or more, the qualifications, experience, terms of reference and terms of employment of the consultants shall be furnished to the Bank for its prior review and approval. The contract shall be awarded only after the said approval shall have been given.

#### 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 Consultant Guidelines shall apply.

## SCHEDULE 5

### Requirements for Provision of Grants

1. To benefit from an Education Grant, the child must: (a) meet the criteria of eligibility set forth in the Operational Manual; (b) be six (6) years old up to seventeen (17) years old; (c) enrolled in primary (grades 1- 6) or secondary (grades 7-12) schools; and (d) maintain a class attendance rate of no less than 85% measured every school term.

2. The amount of the Education Grants shall be: (a) for the first year of Project implementation, two hundred and fifty Jamaican Dollars (J\$250) per month; (b) for the second year of Project implementation, three hundred and seventy-five Jamaican Dollars (J\$375) per month; and (c) for the third and subsequent years of Project implementation, five hundred Jamaican Dollars (J\$500) per month, respectively. Payments will be made bi-monthly.

3. In case the inflation rate in Jamaica exceeds eight percent (8%) on any given FY during Project implementation, as said inflation rate is determined by the consumer price index of the Statistical Institute of Jamaica, the amount of the Education Grants to be paid during the following FY will be increased to reflect the inflation rate in excess of eight percent (8%) in accordance with the procedures set forth in the Operational Manual.

4. To benefit from a Health Grant, the child: (a) must be six years old or younger and meet the criteria of eligibility set forth in the Operational Manual; and (b) Family Representatives will have to bring their children to public health clinics (in

accordance with an established plan as set forth in the Operational Manual) for scheduled monitoring of weight gain, against agreed standards, and to receive basic health services in public health clinics.

5. The amount of the Health Grants shall be: (a) for the first year of Project implementation, two hundred and fifty Jamaican Dollars (J\$250) per month; (b) for the second year of Project implementation, three hundred and seventy-five Jamaican Dollars (J\$375) per month; and (c) for the third and subsequent years of Project implementation, five hundred Jamaican Dollars (J\$500) per month, respectively. Payments will be made bi-monthly.

6. In case the inflation rate in Jamaica exceeds eight percent (8%) on any given FY during Project implementation, as said inflation rate is determined by the consumer price index of the Statistical Institute of Jamaica, the amount of the Health Grants to be paid during the following FY will be increased to reflect the inflation rate in excess of eight percent (8%) in accordance with the procedures set forth in the Operational Manual.

7. To receive Social Assistance Grants to Adults: (a) the elderly, disabled and destitute adults and pregnant and lactating women must meet the eligibility criteria set forth in the Operational Manual; and (b) undergo regular clinic visits in accordance with an established plan (as set forth in the Operational Manual).

8. The amount of the Social Assistance Grants to Adults shall be: (a) for the first year of Project implementation, two hundred and fifty Jamaican Dollars (J\$250) per month; (b) for the second year of Project implementation, three hundred and seventy-five Jamaican Dollars (J\$375) per month; and (c) for the third and subsequent years of Project implementation, five hundred Jamaican Dollars (J\$500) per month, respectively. Payments will be made bi-monthly.

9. In case the inflation rate in Jamaica exceeds eight percent (8%) on any given FY during Project implementation, as said inflation rate is determined by the consumer price index of the Statistical Institute of Jamaica, the amount of the Social Assistance Grants to Adults to be paid during the following FY will be increased to reflect the inflation rate in excess of eight percent (8%) in accordance with the procedures set forth in the Operational Manual.

