

**CONFORMED COPY**

**LOAN NUMBER 4878-JM**

# **Loan Agreement**

**(Hurricane Dean Emergency Recovery Project)**

**between**

**JAMAICA**

**and**

**INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT**

**Dated January 8, 2008**

**LOAN AGREEMENT**

Agreement dated January 8, 2008, between JAMAICA (the Borrower) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank). The Borrower and the Bank hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — LOAN**

- 2.01. The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of ten million Dollars (\$10,000,000) (the Loan), to assist in financing the project described in Schedule 1 to this Agreement (the Project).
- 2.02. The Borrower may withdraw the proceeds of the Loan in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04. The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Variable Spread. Notwithstanding the foregoing, if any amount of the Withdrawn Loan Balance remains unpaid when due and such non-payment continues for a period of thirty days, then the interest payable by the Borrower shall instead be calculated as provided in Section 3.02 (d) of the General Conditions.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with the amortization schedule set forth in Schedule 3 to this Agreement.

**ARTICLE III — PROJECT**

- 3.01. The Borrower declares its commitment to the objectives of the Project. To this end, the Borrower shall cause the Project to be carried out by the Project Implementing Entity in

accordance with the provisions of Article V of the General Conditions and the Project Agreement.

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

#### **ARTICLE IV — REMEDIES OF THE BANK**

- 4.01. The Additional Events of Suspension consist of the following:

- (a) The Project Implementing Entity's Legislation has been amended, suspended, abrogated, repealed or waived so as to, in the opinion of the Bank, affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the Project Agreement.
- (b) The legislation or regulations of the Borrower and/or the rules or procedures of the Borrower or Project Implementing Entity, including the Environmental Management Framework and the Land Acquisition and Resettlement Policy Framework, have been amended, suspended, abrogated, repealed or waived so as to, in the opinion of the Bank after consultation with the Borrower, affect materially and adversely the implementation of the Project.

- 4.02. The Additional Event of Acceleration consists of the following:

Any event specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs.

#### **ARTICLE V — EFFECTIVENESS; TERMINATION**

- 5.01. The Additional Condition of Effectiveness consists of the following, namely, that the Subsidiary Agreement has been executed on behalf of the Borrower and the Project Implementing Entity.
- 5.02. The Additional Legal Matter consists of the following, namely, that the Subsidiary Agreement has been duly authorized or ratified by the Borrower and the Project Implementing Entity and is legally binding upon the Borrower and the Project Implementing Entity in accordance with its terms.
- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than the eighteen months after the Bank's approval of the Loan which expire on June 20, 2009.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

6.01. The Borrower's Representative is its Minister of Finance and the Public Service.

6.02. The Borrower's Address is:

Ministry of Finance and the Public Service  
30 National Heroes Circle  
Kingston 4  
Jamaica

Facsimile:

876-924-9291

6.03. The Bank's Address is:

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)

1-202-477-6391

AGREED at the District of Columbia, United States of America, as of the day and year first above written.

JAMAICA

By /s/ Audley Shaw

Authorized Representative

INTERNATIONAL BANK FOR  
RECONSTRUCTION AND DEVELOPMENT

By /s/ Yvonne M. Tsikata

Authorized Representative

## **SCHEDULE 1**

### **Project Description**

The objectives of the Project are: (a) to restore levels of service in selected community infrastructure, specifically basic, primary and all-age schools, health clinics and critical feeder roads, at the minimum to pre-hurricane Dean levels; and (b) to increase the Borrower's ability to respond to natural hazards.

The Project consists of the following parts:

#### **Part 1. Repair and Reconstruction of Basic Infrastructure**

**1.1. Basic Schools.** Restoration of early childhood schools' (for children 3-6 years old) infrastructure, giving priority to schools built under the NCD Project and those located in Quartile IV Localities.

**1.2. Primary and All-age Schools.** Restoration of primary and all-age schools' infrastructure, giving priority to schools built under the NCD Project and those located in Quartile IV Localities.

**1.3. Community Health Clinics.** Restoration of community clinics, including type I, II and III facilities according to the current classification made by the Borrower's Ministry of Health, which clinics provide local access to basic walk-in health services but do not have hospital-type facilities or services.

**1.4. Parochial / Feeder Roads.** Restoration of feeder roads and critically important secondary (parish-level) roads selected on the basis of: (a) access to productive infrastructure; and (b) access to health and educational facilities.

#### **Part 2. Capacity Building for Hazard Risk Reduction**

**2.1 Training.** Carrying out of capacity training on hazard risk reduction for the Borrower's local government and relevant stakeholders.

##### **2.2. Studies and Technical Assistance.**

(a) Carrying out of a study to determine possible storm surge inundation and run-up levels which may occur during the passage of a hurricane in selected coastal towns to guide the Borrower's decision-making process as it relates to development planning, resource and land management, mitigation, emergency preparedness and evacuation planning.

(b) Carrying out of a study to develop a framework for the rehabilitation and improved management of coastal ecosystems, and to preserve the coastal ecosystems' goods and services by providing valuable information for improved management and rehabilitation.

(c) Carrying out of a study to improve the resilience of selected vulnerable coastal fishing communities.

(d) Provision of technical assistance to: (i) review and finalize an improved building code and standards; (ii) develop a training manual and related training materials; (iii) disseminate these better building standards and practices through training materials and courses for contractors, tradesmen and communities; and (iv) set up a register of qualified and trained builders, tradesmen and construction workers, all of which can be used as the basis for applying higher standards and disaster-resistant construction methods in the Borrower's reconstruction program of education and health facilities.

(e) Carrying out of other studies identified by the Borrower and approved by the Bank aimed at improving the Borrower's capacity to respond to natural hazards.

### **Part 3. Project Management**

Provision of consultant services, goods and operating costs for Project management and administration by the Project Implementing Entity.

## **SCHEDULE 2**

### **Project Execution**

#### **Section I. Implementation Arrangements**

##### **A. Subsidiary Agreement**

1. To facilitate the carrying out of the Project, the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity on a grant basis under a subsidiary agreement between the Borrower and the Project Implementing Entity, under terms and conditions approved by the Bank ("Subsidiary Agreement") including, *inter alia*: (a) the proceeds amount; (b) the terms and conditions for the Project Implementing Entity's receipt of the proceeds on a grant basis; and (c) the management and staff positions to be maintained in the Project Implementing Entity.

2. The Borrower shall exercise its rights and carry out its obligations under the Subsidiary Agreement in such a manner as to protect the interests of the Borrower and the Bank and to accomplish the purposes of the Loan. Except as the Bank shall otherwise agree, the Borrower shall not assign, amend, abrogate, waive or fail to enforce the Subsidiary Agreement or any of its provisions.

##### **B. Institutional and Other Arrangements**

1. The Borrower shall establish and maintain, throughout Project implementation, a steering committee with composition, functions and responsibilities acceptable to the Bank.

2. The Borrower shall cause the Project Implementing Entity to maintain, throughout Project implementation:

(a) a unit to oversee daily Project implementation, headed by a Project manager and assisted by staff in adequate numbers, all with qualifications and experience satisfactory to the Bank, including staff trained in the areas of environmental management, resettlement and land acquisition, which staff shall continue to receive periodic training in such areas; and

(b) a Board of Directors which provides general oversight and policy direction for Project implementation, with composition and functions acceptable to the Bank.

3. Without limitation to the provisions of Article V of the General Conditions, the Borrower shall ensure that:

(a) the Project is carried out in accordance with the Operations Manual, including the Environmental Management Framework ("EMF") and the Land Acquisition and Resettlement Policy Framework ("LARPF");

(b) the Operations Manual or any part thereof is not amended, waived, suspended or abrogated without the Bank's prior written concurrence, and in case of any inconsistency between the provisions of the Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail;



(c) the Bank is promptly informed of any developments in the legislation or regulations of the Borrower and/or the rules or procedures of the Borrower or Project Implementing Entity that may affect the performance of the Project or the application of the EMF or LARPF; and

(d) the Borrower's agencies, which are required to provide services under the Project, are made aware of the requirements of the EMF and LARPF and the Anti-Corruption Guidelines, and take all actions necessary to support the carrying out of the Project in compliance with such requirements.

4. No later than January 31, 2008, the Borrower shall cause the Project Implementing Entity to revise the financial management chapter of the Operations Manual in a manner satisfactory to the Bank, to incorporate the activities undertaken under the Project.

### **C. Anti-Corruption**

The Borrower shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

## **Section II. Project Monitoring Reporting and Evaluation**

### **A. Project Reports**

1. The Borrower shall monitor and evaluate or cause to be monitored and evaluated the progress of the Project, and shall prepare or cause to be prepared Project Reports in accordance with the provisions of Section 5.08 of the General Conditions and on the basis of the indicators agreed with the Bank. The first Project Report shall cover the period between the Effective Date and the first June or December following that date, the choice of which shall be specified by the Bank by notice to the Borrower. The first Project Report shall be furnished to the Bank not later than thirty days after the end of that period. Thereafter, each Project Report shall cover a period of six months (i.e., January through June, or July through December), and shall be furnished to the Bank not later than thirty days after the end of the period covered by such report.

2. For the purposes of Section 5.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Bank not later than four months after the Closing Date.

### **B. Financial Management, Financial Reports and Audits**

1. The Borrower shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 5.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Borrower shall prepare and furnish, or cause to be prepared and furnished, to the Bank not later than forty-five days after the end of each calendar quarter, interim un-audited financial reports for the Project covering the quarter, in form and substance satisfactory to the Bank.

3. The Borrower shall have the Financial Statements of the Project and the Project Implementing Entity audited, or cause the Financial Statements to be audited, in accordance with

the provisions of Section 5.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Borrower, commencing with the fiscal year in which the first withdrawal under the Project Preparation Advance was made. The audited Financial Statements for each such period shall be furnished to the Bank not later than four months after the end of such period.

**Section III. Procurement**

**A. General**

**1. Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Schedule. For purposes of this Section III, goods and works include non-consultant services.

**2. Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Loan shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines and with the provisions of this Schedule.

**3. Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Bank of particular contracts refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

**B. Particular Methods of Procurement of Goods and Works**

**1. International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding procedures.

**2. Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Methods</u></b>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

**C. Particular Methods of Procurement of Consultants' Services**

**1. Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.

**2. Other Methods of Procurement of Consultants' Services.** The following table specifies the methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

<b><u>Procurement Methods</u></b>
(a) Quality-Based Selection
(b) Fixed Budget Selection
(c) Least Cost Selection
(d) Selection Based on Consultant Qualifications
(e) Single Source Selection
(f) Individual Consultants

**D. Review by the Bank of Procurement Decisions**

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

**Section IV. Withdrawal of Loan Proceeds**

**A. General**

1. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Bank shall specify by notice to the Borrower (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Loan ("Category"), the allocation of the amounts of the Loan to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category.

<b>Category</b>	<b>Amount of the Loan Allocated (expressed in Dollars)</b>	<b>Percentage of Expenditures to be financed (inclusive of Taxes)</b>
(1) Goods, works, consultants' services, non-consultant services, Training and Operating Costs for the Project	8,915,000	100%
(2) Refund of the Project Preparation Advance	1,060,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
(3) Front-end Fee	25,000	Amount payable pursuant to Section 2.03 of this Agreement in accordance with Section 2.07 (b) of the General Conditions
<b>TOTAL AMOUNT</b>	<b>10,000,000</b>	

3. For the purposes of this Section:

(a) the term "Training" means: (i) reasonable travel, room, board and per diem expenditures incurred by trainers and trainees in connection with their training and by non-consultant training facilitators; (ii) course fees; (iii) training facility rentals; and (iv) training material preparation, acquisition, reproduction and distribution expenses not otherwise covered under this paragraph; and

(b) the term "Operating Costs" means the incremental expenses incurred on account of Project implementation, including office equipment and supplies, vehicle operation and maintenance, communication and insurance costs, office administration costs, utilities, travel, per diem and supervision costs, and salaries of locally contracted employees (none of which would have been incurred in the absence of the Project).

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$750,000 equivalent may be made for payments made prior to this date but on or after October 15, 2007 (but in no case more than one year from the date of this Agreement), for Eligible Expenditures.

2. The Closing Date is June 30, 2011.

### SCHEDULE 3

#### Amortization Schedule

<u>Principal Payment Date</u>	<u>Principal Amount of the Loan Payable (Expressed in Dollars<sup>*</sup>)</u>
On each April 15 and October 15	
beginning April 15, 2013	\$415,000
through April 15, 2024	\$415,000
On October 15, 2024	\$455,000

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\* The figures in this column represent the amount in Dollars to be repaid, except as provided in Section 3.08 of the General Conditions.

## APPENDIX

### Definitions

1. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Management Framework” or “EMF” means the policy framework for environmental management, approved by the Project Implementing Entity’s Board of Directors on January 25, 2006, as it may be amended from time to time with the prior approval of the Bank, which sets forth the environmental policies and procedures that shall apply to the carrying out of the Project.
5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through October 17, 2007).
6. “ICBS Project” means the Borrower’s Project described in Schedule 1 of the Loan Agreement between the Borrower and the Bank, dated May 4, 2006, as may be amended from time to time by the parties thereto.
7. “Land Acquisition and Resettlement Policy Framework” or “LARPF” means the policy framework for land acquisition and resettlement approved by the Project Implementing Entity’s Board of Directors on January 25, 2006, as it may be amended from time to time with the prior approval of the Bank, which sets forth the policies and procedures that shall apply to the preparation and carrying out of any land acquisition or resettlement action plan that may be required under the Project.
8. “NCD Project” means the Borrower’s Project described in Schedule 2 of the Loan Agreement between the Borrower and the Bank, dated October 31, 2002, as may be amended from time to time by the parties thereto.
9. “Operations Manual” means the manual, including all appendices and schedules thereto, satisfactory to the Bank and adopted by the Project Implementing Entity’s Board of Directors, which sets forth the policies and procedures that apply to the carrying out of all JSIF implemented projects, including the amendments to the version dated March 2002 (as revised June 2004), which the JSIF Board of Directors approved on February 22, 2006 for the implementation of the ICBS Project and any other amendments made with the prior approval of the Bank. The Operations Manual includes: (a) the criteria and procedures to be followed in the identification, preparation, appraisal, approval,

- contracting and supervision of Project activities; (b) the EMF and LARPF referred to in Section I. B.3 of Schedule 2 to this Agreement; (c) the procedures and criteria for selecting infrastructure works; and (d) the partnership arrangements with key service providers under the Project.
10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October 2006.
  11. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated November 30, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
  12. “Project Implementing Entity” or “JSIF” means the Jamaica Social Investment Fund, which was established pursuant to the Project Implementing Entity’s Legislation.
  13. “Project Implementing Entity’s Legislation” means the Memorandum and Articles of Association of JSIF, both dated February 26, 1996, by which JSIF was incorporated under the Borrower’s Companies Act.
  14. “Project Preparation Advance” means the advance referred to in Section 2.07 (a) of the General Conditions, granted by the Bank to the Borrower pursuant to the letter agreement signed on behalf of the Bank on December 10, 2007 and on behalf of the Borrower on December 10, 2007.
  15. “Quartile IV Localities” means the poorest 25 percent localities of the Borrower, as defined by the poverty mapping methodology of the Borrower’s Planning Institute.
  16. “Subsidiary Agreement” means the agreement referred to in Section I.A of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.