Loan Agreement

(Inner City Basic Services for the Poor Project)

between

JAMAICA

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

Dated May 4, 2006
LOAN AGREEMENT

Agreement dated May 4, 2006, between JAMAICA ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("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 the Loan 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 twenty-nine million three hundred thousand Dollars ($29,300,000) ("Loan"), to assist in financing the project described in Schedule 1 to this Agreement ("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 Commitment Charge payable by the Borrower shall be equal to three-fourths of one percent (3/4 of 1%) per annum on the Unwithdrawn Loan Balance, subject to any waiver of a portion of such charge as may be determined by the Bank from time to time.

2.04. The Front-end Fee payable by the Borrower shall be equal to one percent (1.0%) of the Loan amount, subject to any waiver of a portion of such fee as may be determined by the Bank from time to time.

2.05. 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, subject to any waiver of a portion of such interest as may be determined by the Bank from time to time.
2.06. The Payment Dates are February 15 and August 15 in each year.

2.07. 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 objective 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.

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

5.01. The Additional Condition of Effectiveness consists of the following:

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:

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 (18) months after the Bank’s approval of the Loan which expire on September 29, 2007.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is the Minister of Finance and Planning.

6.02. The Borrower’s Address is:

Ministry of Finance and Planning
National Heroes Circle
Kingston 4
Jamaica

Facsimile:

876-922-8804

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 248423(MCI) or 1-202-477-6391
Washington, D.C.  64145(MCI)
AGREED at 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/ Caroline Anstey  
Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to improve the quality of life in twelve of the Borrower’s inner city areas and poor urban informal settlements by improving access to basic urban infrastructure, financial services, land tenure regularization, and enhanced public safety and community capacity.

The Project consists of the following parts:

Part 1. Access to Services

1.1. Community Basic Infrastructure

(a) Development of on-site and community-based infrastructure in twelve select inner city communities (“Project Communities”) including:

(i) construction and rehabilitation of integrated network infrastructure for water, sanitation, drainage, and secondary and tertiary roads;

(ii) installation of street lighting, extension of the Borrower’s electricity network, and regularization of illegal electricity connections;

(iii) construction of multi-purpose, community centers in seven of the Project Communities; and

(iv) enhancement of community-based basic infrastructure through community-based subprojects (“Community-based Subprojects”), implemented by registered legal entities of the corresponding Project Communities, including extension of household water and sanitation connections, removal and substitution of zinc fencing, improvement of neighborhood and recreational facilities, and installation of community garbage receptacles.

(b) Improvement of solid waste collection systems in Project Communities through the provision of technical assistance and the procurement of solid waste collection equipment and compactor trucks.

(c) Rehabilitation and construction of offsite network infrastructure necessary for the maintenance of water, sanitation and drainage services in Project Communities, including: (i) rehabilitation of the water reservoir and trunk mains in
Kingston, bordering the Federal Gardens and Jones Town communities; and (ii) upgrading and rehabilitation of the wastewater treatment facility in Tawes Pen.

(d) Building of capacity of parish councils to operate, manage and maintain basic infrastructure works (including secondary and tertiary roads, drainage infrastructure, community recreation facilities and other basic community infrastructure) in Project Communities through the provision of technical assistance, training, basic computer equipment and office supplies.

1.2. Access to Financial Services

(a) Facilitating of access to micro-financial services within the Project Communities for use towards developing and promoting small and medium-sized businesses and incremental housing improvements, through the provision of performance-based service contracts to financial institutions that will offer to beneficiaries within Project Communities, micro-financial services and technical assistance in areas including credit counseling, business plan preparation, financial management and related business support.

(b) Orientation of financial institutions that are potential bidders for the contracts referred to in Part 1.2(a) above, and training of Project Implementing Entity staff to evaluate bids and monitor and evaluate micro-financing activities.

(c) Carrying out of independent technical audits of the loan portfolios of the financial institutions contracted under Part 1.2(a) above.

1.3. Land Tenure Regularization

(a) Carrying out of: (i) a cadastral audit of all Project Communities, consisting of approximately 13,000 parcels of land; and (ii) an assessment of the number of parcels eligible for titling.

(b) Development of a land titling and strategy program, including: (i) design and implementation of informational campaigns and public consultations; and (ii) examination of the field, legal and administrative procedures and costs required for the transferring of titles.

(c) Provision of technical assistance to the Borrower for the development of a broader land tenure regularization policy and program for urban and peri-urban squatter areas.

(d) Implementation of a land titling program on public lands in the Project Communities, including: (i) completion of register and cadastral searches and land surveys; (ii) verification of occupancy information including names, addresses, leasing
and sub-leasing arrangements; and (iii) provision of technical assistance to beneficiaries in the processing of title applications.

**Part 2. Public Safety Enhancement and Capacity Building**

Enhancement of public safety in Project Communities through the provision of technical assistance in areas related to crime and violence prevention, including: (a) mediation and conflict resolution; (b) alternative livelihoods and skills development; (c) family support programs; (d) youth education and recreation programs; (e) community-based organization capacity building, including the assignment of community liaison officers to serve as full-time community facilitators in each Project Community; and (f) social marketing and public awareness campaigns.

**Part 3. Project Management**

3.1. **Project Management, Monitoring and Evaluation**

Building of capacity of the Project Implementing Entity through the provision of:

(a) technical assistance and training (including study tours for resettlement training) in the areas of project management and administration, including environment, resettlement, social development, crime and violence prevention, engineering, micro-finance, financial management, procurement, technical monitoring and evaluation, international quality standard certification of the Project Implementing Entity’s management framework, community satisfaction surveys, and annual financial audits;

(b) three motor vehicles; and

(c) office equipment and furniture.

3.2. **Operating Costs and Other Services**

Provision of: (a) training to community-based organizations in core organizational management practices; (b) basic operating and maintenance costs for community peace and justice centers; and (c) operating costs of the Project Implementing Entity including costs related to office space rental, utilities, basic office supplies, maintenance of motor vehicles, and travel, per diem and salaries of administrative staff.
SCHEDULE 2

Project Execution

Section I. Subsidiary Financing; Institutional and Other 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 Loan amount; (b) the terms and conditions for the Project Implementing Entity’s receipt of the Loan on a grant basis; (c) the minimum counterpart funds to be provided by the Borrower each year during Project implementation as provided in Section I.B.1 of this Schedule; and (d) the management and staff positions of the Project Implementing Entity for which personnel must be employed as provided in Part 3 of the Project.

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 or waive the Subsidiary Agreement of any of its provisions.

B. Institutional and Other Arrangements

1. (a) For the purposes of carrying out the Project, the Borrower is committed to include in each proposed annual budget to its legislature the equivalent of the following minimum amounts as counterpart funds for the Project:

   (i) USD 467,000 equivalent for fiscal year (“FY”) 2006/07;
   (ii) USD 704,000 equivalent for FY 2007/08;
   (iii) USD 694,000 equivalent for FY 2008/09;
   (iv) USD 647,000 equivalent for FY 2009/10;
   (v) USD 691,000 equivalent for FY 2010/11; and
   (vi) USD 297,000 equivalent for FY 2011/12.
(b) The Borrower shall make the counterpart funds, in Jamaican Dollars, available for the Project on at least a quarterly basis, or more promptly as needed, during Project implementation.

(c) Without limitation to the provisions of paragraph (a) above, the Borrower shall not later than May 31 of each year until the completion of the Project, starting in 2007, furnish to the Bank evidence, satisfactory to the Bank, of the availability of the minimum counterpart funds required for the execution of the Project during the corresponding FY, as the allocation of such funds for each such FY may be amended from time to time with the agreement of the Bank.

2. 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 take all actions necessary to support the carrying out of the Project in compliance with such requirements.

Section II. Project Monitoring, Reporting, 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 the 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.

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.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
<tr>
<td>(d) Force Account</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Procurement Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-Based Selection</td>
</tr>
<tr>
<td>(b) Fixed Budget Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
</tbody>
</table>
(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 this Section and such additional instructions as the Bank shall specify by notice to the Borrower 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.

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Loan Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be financed</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, consultants’ services and training for Part 1.1 of the Project, with the exception of Parts 1.1(a)(iii) and 1.1(a)(iv)</td>
<td>15,600,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Works for Part 1.1(a)(iii) of the Project</td>
<td>2,600,000</td>
<td>100%</td>
</tr>
</tbody>
</table>
(3) Community-based Subprojects under Part 1.1(a)(iv) of the Project 1,800,000 100% of amounts advanced under Section I.4(c) of the Schedule to the Project Agreement

(4) Consultants’ services for Part 1.2 of the Project 1,250,000 100%

(5) Goods and consultants’ services for Part 1.3 of the Project 600,000 100%

(6) Consultants’ services for Part 2 of the Project 3,900,000 100%

(7) Goods, consultants’ services and training for Part 3.1 of the Project 2,826,750 60%

(8) Refund of the Project Preparation Advance 650,000 Amount payable pursuant to Section 2.07 (a) of the General Conditions

(9) Front-end Fee 73,250 Amount payable pursuant to Section 2.04 of this Agreement in accordance with Section 2.07 (b) of the General Conditions

TOTAL AMOUNT 29,300,000

B. Withdrawal Conditions; Withdrawal Period.

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made:

   (a) from the Loan Account (other than to repay the Project Preparation Advance) until the Bank has received payment in full of the Front-end Fee;

   (b) for payments made prior to the date of this Agreement; and
(c) for payments under Categories 1, 2 and 3, unless the Project Implementing Entity’s staff designated to manage the application of the EMF and LARPF have received training, satisfactory to the Bank, in environmental management, involuntary resettlement and land acquisition.

2. The Closing Date is December 31, 2011.
SCHEDULE 3

Amortization Schedule

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Principal Amount of the Loan Payable (Expressed in USD(^*))</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15</td>
<td></td>
</tr>
<tr>
<td>beginning August 15, 2011</td>
<td>1,220,000</td>
</tr>
<tr>
<td>through August 15, 2022</td>
<td>1,220,000</td>
</tr>
<tr>
<td>On February 15, 2023</td>
<td>1,240,000</td>
</tr>
</tbody>
</table>

\(^*\) The figures in this column represent the amount in USD to be repaid, except as provided in Section 3.10 of the General Conditions.
APPENDIX

Section I. Definitions

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

2. “Community-based Subproject” means any of the investments referred to in Part 1.1(a)(iv) of the Project.

3. “Community-based Subproject Agreement” means any of the agreements referred to in Section I.4 of the Schedule to the Project Agreement.


5. “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, which sets forth the environmental policies and procedures that shall apply to the carrying out of the Project.

6. “FY” means the fiscal year of the Borrower, beginning each April 1st.


8. “Jamaican Dollar” means the lawful currency of the Borrower.

9. “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, 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.

10. “Microfinance Management Committee” means the committee referred to in Section I.5(a) of the Schedule to the Project Agreement.

11. “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 this Project. 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.2 of Schedule 2 to this Agreement; (c) the terms and conditions for selecting and contracting financial institutions; and managing and monitoring the micro-financing activities under Part 1.2 of the Project; (d) the procedures and criteria for selecting community infrastructure works and Community-based Subprojects; and (e) the partnership arrangements with key service providers under the Project.


13. “Procurement Plan” means the Borrower’s procurement plan for the Project, dated February 28, 2006, 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.

14. “Project Community,” or collectively “Project Communities,” means any of the following twelve communities selected for the Project: (a) Whitfield Town; (b) Federal Gardens; (c) Passmore Town / Browns Town (Dunkirk); (d) Jones Town; (e) Tawes Pen; (f) March Pen (Africa); (g) Central Village (Andrews Lane, Big Lane, Little Lane and Detroit); (h) Dempshire Pen / Jones Pen (Shelter Rock); (i) Lauriston; (j) Knollis (Bog Walk); (k) Bucknor; and (l) Flankers.

15. “Project Implementing Entity” or “JSIF” means the Jamaica Social Investment Fund, which was established pursuant to the Project Implementing Entity’s Legislation.

16. “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.

17. “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 January 31, 2005, and on behalf of the Borrower on February 24, 2005.

18. “Subsidiary Agreement” means the agreement referred to in Section IA of Schedule 2 to this Agreement pursuant to which the Borrower shall make the proceeds of the Loan available to the Project Implementing Entity.