

**No. 19880**

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**UNITED STATES OF AMERICA  
and  
JAMAICA**

**Project Loan Agreement for integrated rural development  
(with annexes). Signed at Kingston on 28 February  
1978**

*Authentic text: English.*

*Registered by the United States of America on 10 June 1981.*

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**ÉTATS-UNIS D'AMÉRIQUE  
et  
JAMAÏQUE**

**Accord de prêt relatif à un projet de développement rural  
intégré (avec annexes). Signé à Kingston le 28 février  
1978**

*Texte authentique : anglais.*

*Enregistré par les États-Unis d'Amérique le 10 juin 1981.*

PROJECT LOAN AGREEMENT<sup>1</sup> BETWEEN THE GOVERNMENT OF JAMAICA AND THE UNITED STATES OF AMERICA FOR INTEGRATED RURAL DEVELOPMENT

Dated: 28 February 1978

A.I.D. Loan Number 532-T-010  
Project Number 532-0046

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<sup>1</sup> Came into force on 28 February 1978 by signature.

PROJECT LOAN AGREEMENT dated 28 February 1978 between the GOVERNMENT OF JAMAICA (“Borrower”) and the UNITED STATES OF AMERICA, acting through the AGENCY FOR INTERNATIONAL DEVELOPMENT (“A.I.D.”).

*Article 1. THE AGREEMENT*

The purpose of this Agreement is to set out the understandings of the parties named above (“Parties”) with respect to the undertaking by the Borrower of the Project described below, and with respect to the financing of the Project by the Parties.

*Article 2. THE PROJECT*

*Section 2.1. DEFINITION OF PROJECT.* The Project, which is further described in Annex 1, is designed to increase agricultural production on small hillside farms in the Pindars River and Two Meetings waterheds, control soil erosion in the watersheds, and strengthen the capacity of the Ministry of Agriculture through the following activities: soil conservation, reforestation, road construction and rehabilitation, establishment of agricultural training centers, provision of training and credit to farmer organizations, agricultural extension, and provision of electricity, potable water, and housing to small farmers. Annex 1, attached, amplifies the above definition of the Project.

Within the limits of the above definition of the Project, elements of the amplified description stated in Annex 1 may be changed by written agreement of the authorized representatives of the Parties named in Section 9.2, without formal amendment of this Agreement.

*Article 3. FINANCING*

*Section 3.1. THE LOAN.* To assist the Borrower to meet the costs of carrying out the Project, A.I.D., in furtherance of the Alliance for Progress and pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed Thirteen million United States (“U.S.”) dollars (\$13,000,000) (“Loan”). The aggregate amount of disbursements under the Loan is referred to as “Principal.”

The Loan may be used to finance foreign exchange costs as defined in Section 7.1, and local currency costs, as defined in Section 7.2, of goods and services required for the Project.

*Section 3.2. BORROWER RESOURCES FOR THE PROJECT.* (a) The Borrower agrees to provide or cause to be provided for the Project all funds, in addition to the Loan and a companion Grant for the Project, and all other resources required to carry out the Project effectively and in a timely manner.

(b) The resources provided by Borrower for the Project will be not less than the equivalent of U.S. \$11,200,000, including costs borne on an “in-kind” basis.

*Section 3.3. PROJECT ASSISTANCE COMPLETION DATE.* (a) The “Project Assistance Completion Date” (“PACD”); which is September 30, 1981, or such other date as the Parties may agree to in writing, is the date by which the Parties estimate that all services financed under the Loan will have been performed and all goods financed under the Loan will have been furnished for the Project as contemplated in this Agreement.

(b) Except as A.I.D. may otherwise agree in writing, A.I.D. will not issue or approve documentation which would authorize disbursement of the Loan for services performed subsequent to the PACD or for goods furnished for the Project, as contemplated in this Agreement, subsequent to the PACD.

(c) Requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, are to be received by A.I.D. or any bank described in Section 8.1 no later than nine (9) months following the PACD, or such other period as A.I.D. agrees to in writing. After such period, A.I.D., giving notice in writing to the Borrower, may at any time or times reduce the amount of the Loan by all or any part thereof for which requests for disbursement, accompanied by necessary supporting documentation prescribed in Project Implementation Letters, were not received before the expiration of said period.

#### Article 4. LOAN TERMS

*Section 4.1. INTEREST.* The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for seven (7) years following the date of the first disbursement hereunder and at the rate of three percent (3%) per annum thereafter on the outstanding balance of Principal and on any due and unpaid interest. Interest on the outstanding balance will accrue from the date (as defined in Section 8.5) of each respective disbursement, and will be payable semiannually. The first payment of interest will be payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

*Section 4.2. REPAYMENT.* The Borrower will repay to A.I.D. the Principal within twenty (20) years from the date of the first disbursement of the Loan in twenty-seven (27) approximately equal semiannual installments of Principal and interest. The first installment of Principal will be payable six and one-half (6-½) years after the date on which the first interest payment is due in accordance with Section 4.1. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Section after the final disbursement under the Loan.

*Section 4.3. APPLICATION, CURRENCY, AND PLACE OF PAYMENT.* All payments of interest and Principal hereunder will be made in U.S. Dollars and will be applied first to the payment of interest due and then to the repayment of Principal. Except as A.I.D. may otherwise specify in writing, payments will be made to the Controller, Office of Financial Management, Agency for International Development, Washinton, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

*Section 4.4. PREPAYMENT.* Upon payment of all interest and any refunds then due, the Borrower may repay, without penalty, all or any part of the Principal. Unless A.I.D. otherwise agrees in writing, any such prepayment will be applied to the installments of Principal in the inverse order of their maturity.

*Section 4.5. RENEGOTIATION OF TERMS.* (a) The Borrower and A.I.D. agree to negotiate, at such time or times as either may request, an acceleration of the repayment of the Loan in the event that there is any significant and continuing improvement in the internal and external economic and financial position and prospects of Jamaica which enable the Borrower to repay the Loan on a shorter schedule.

(b) Any request by either Party to the other to so negotiate will be made pursuant to Section 9.1, and will give the name and address of the person or persons who will represent the requesting Party in such negotiations.

(c) Within thirty (30) days after delivery of a request to negotiate, the requested Party will communicate to the other, pursuant to Section 9.1, the name and address of the person or persons who will represent the requested Party in such negotiations.

(d) The representatives of the Parties will meet to carry on negotiations no later than thirty (30) days after delivery of the requested Party's communication under subsection (c). The negotiations will take place at a location mutually agreed upon by the representatives of the Parties provided that, in the absence of mutual agreement, the negotiations will take place at the office of Borrower's Minister of Agriculture in Jamaica.

*Section 4.6. TERMINATION ON FULL Payment.* Upon payment in full of the Principal and any accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

#### *Article 5. CONDITIONS PRECEDENT TO DISBURSEMENT*

*Section 5.1. FIRST DISBURSEMENT.* Prior to the first disbursement under the Loan, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Borrower will, except as the Parties may otherwise agree in writing, furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) An opinion of counsel acceptable to A.I.D. that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Borrower, and that it constitutes a valid and legally binding obligation of the Borrower in accordance with all of its terms;
- (b) A statement of the name of the person holding or acting in the office of the Borrower specified in Section 9.2, and of any additional representatives, together with a specimen signature of each person specified in such statement;
- (c) Evidence of the appointment of a full-time project manager;
- (d) Evidence that the Pindars River and Two Meetings valleys have been duly declared watersheds of areas for rehabilitation pursuant to the Land Authority Law and the Watershed Protection Act; and
- (e) Evidence of the designation of a Project Advisory Committee composed of representatives of the major implementing organizations.

*Section 5.2. DISBURSEMENTS FOR SOIL CONSERVATION ACTIVITIES.* Except as the Parties may otherwise agree in writing, prior to any disbursement or the issuance by A.I.D. of documentation pursuant to which disbursement will be made under the Loan to finance soil conservation activities, the Borrower shall furnish to A.I.D. in form and substance satisfactory to A.I.D.:

- (a) Evidence of the establishment of a Soil Conservation Fund which will be earmarked for carrying out soil conservation activities on small private farms in other than Pindars River and Two Meetings watersheds and will be initially capitalized by requiring farmers participating in the Project to pay for twenty-five percent (25%) of the cost of soil conservation activities undertaken on their land, exclusive of costs of waterways construction; and

- (b) An implementation plan for soil conservation activities under the Project with emphasis on activities to be carried out during the first year.

*Section 5.3. DISBURSEMENTS FOR REFORESTATION.* Except as the Parties may otherwise agree in writing, prior to any disbursement or the issuance by A.I.D. of documentation pursuant to which disbursement will be made under the Loan to finance reforestation, the Borrower shall furnish to A.I.D., in form and substance satisfactory to A.I.D., an implementation plan for reforestation under the Project with emphasis on activities to be carried out during the first year.

*Section 5.4. DISBURSEMENTS FOR ROADS, WATERWAYS, DAMS AND EMBANKMENTS.* Except as the Parties may otherwise agree in writing, prior to any disbursement or the issuance by A.I.D. of documentation pursuant to which disbursement will be made under the Loan to finance any road construction or rehabilitation, waterway or check dam construction, or river embankment works, the Borrower shall furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) An implementation plan for road construction and rehabilitation, waterway and check dam construction and river embankment works under the Project with emphasis on the activities to be carried out during the first year; and
- (b) Evidence of completion of survey work showing the location of the roads, waterways, dams and embankments to be constructed and improved.

*Section 5.5. NOTIFICATION.* When A.I.D. has determined that the conditions precedent specified in Sections 5.1 through 5.4 have been met, it will promptly notify the Borrower with respect to each Section.

*Section 5.6. TERMINAL DATES FOR CONDITIONS PRECEDENT.* (a) If all of the conditions specified in Section 5.1 have not been met within 90 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to Borrower.

(b) If all of the conditions specified in Sections 5.2, 5.3, and 5.4 have not been met within 180 days from the date of this Agreement, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may cancel the then undisbursed balance of the Loan, to the extent not irrevocably committed to third parties, and may terminate this Agreement by written notice to the Borrower. In the event of such termination, the Borrower will repay immediately the Principal then outstanding and any accrued interest; on receipt of such payments in full, this Agreement and all obligations of the Parties hereunder will terminate.

#### Article 6. SPECIAL COVENANTS

*Section 6.1. PROJECT EVALUATION.* The Parties agree to establish an evaluation program as part of the Project. Except as the Parties otherwise agree in writing, the program will include, during the implementation of the Project and at one or more points thereafter: (a) evaluation of progress toward attainment of the objectives of the Project; (b) identification and evaluation of problem areas or constraints which may inhibit such attainment; (c) assessment of how such information may be used to help overcome such problems; and (d) evaluation, to the degree feasible, of the overall development impact of the Project.

*Section 6.2. EMPLOYMENT OF AGRICULTURE PERSONNEL.* Except as the Parties may otherwise agree in writing, the Ministry of Agriculture will make maximum efforts to employ on a permanent basis a sufficient number of soil

conservation and agricultural officers to carry out other watershed programs similar to this Project after its termination.

#### *Article 7. PROCUREMENT SOURCE*

*Section 7.1. FOREIGN EXCHANGE COSTS.* Disbursements pursuant to Section 8.1 will be used exclusively to finance the costs of goods and services required for the Project having their source and origin in countries included in Code 941 of the A.I.D. Geographic Code Book as in effect at the time orders are placed or contracts entered into for such goods and services ("Foreign Exchange Costs"), except as A.I.D. may otherwise agree in writing, and except as provided in the Project Loan Standard Provisions Annex, Section C.1(b) with respect to marine insurance.

*Section 7.2. LOCAL CURRENCY COSTS.* Disbursements pursuant to Section 8.2 will be used exclusively to finance the costs of goods and services required for the Project having their source and, except as A.I.D. may otherwise agree in writing, their origin in Jamaica ("Local Currency Costs"). To the extent provided for under this Agreement, Local Currency Costs may also include the provision of local currency resources required for the Project.

#### *Article 8. DISBURSEMENTS*

*Section 8.1. DISBURSEMENT FOR FOREIGN EXCHANGE COSTS.* (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for the Foreign Exchange Costs of goods and services required for the Project in accordance with the terms of this Agreement, by such of the following methods as may be mutually agreed upon:

- (1) By submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, (A) requests for reimbursement for such goods or services, or (B) requests for A.I.D. to procure commodities or services in Borrower's behalf for the Project; or
- (2) By requesting A.I.D. to issue Letters of Commitment for specified amounts (A) to one or more U.S. banks, satisfactory to A.I.D., committing A.I.D. to reimburse such bank or banks for payments made by them to contractors or suppliers, under Letter of Credit or otherwise, for such goods or services, or (B) directly to one or more contractors or suppliers, committing A.I.D. to pay such contractors or suppliers for such goods or services.

(b) Banking charges incurred by Borrower in connection with Letters of Commitment and Letters of Credit will be financed under the Loan unless the Borrower instructs A.I.D. to the contrary. Such other charges as the Parties may agree to may also be financed under the Loan.

*Section 8.2. DISBURSEMENT FOR LOCAL CURRENCY COSTS.* (a) After satisfaction of conditions precedent, the Borrower may obtain disbursements of funds under the Loan for Local Currency Costs required for the Project in accordance with the terms of this Agreement, by submitting to A.I.D., with necessary supporting documentation as prescribed in Project Implementation Letters, requests to finance such costs.

(b) The local currency needed for such disbursement hereunder may be obtained:

- (1) By acquisition by A.I.D. with U.S. dollars by purchase or from local currency already owned by the U.S. Government; or

- (2) By A.I.D. (A) requesting the Borrower to make available the local currency for such costs, and (B) thereafter making available to the Borrower through the opening or amendment by A.I.D. of Special Letters of Credit in favor of the Borrower or its designee, an amount of U.S. dollars equivalent to the amount of local currency made available by the Borrower, which dollars will be utilized for procurement from the United States under appropriate procedures described in Project Implementation Letters.

The U.S. dollar equivalent of the local currency made available hereunder will be, in the case of subsection (b) (1) above, the amount of U.S. dollars required by A.I.D. to obtain the local currency, and in the case of subsection (b) (2) above, an amount calculated at the rate of exchange specified in the applicable Special Letter of Credit Implementation Memorandum hereunder as of the date of the opening or amendment of the applicable Special Letter of Credit.

*Section 8.3. OTHER FORMS OF DISBURSEMENT.* Disbursements of the Loan may also be made through such other means as the Parties may agree to in writing.

*Section 8.4. RATE OF EXCHANGE.* Except as may be more specifically provided under Section 8.2, if funds provided under the Loan are introduced into Jamaica by A.I.D. or any public or private agency for purposes of carrying out obligations of A.I.D. hereunder, the Borrower will make such arrangements as may be necessary so that such funds may be converted into currency of Jamaica at the highest rate of exchange which, at the time the conversion is made, is not unlawful in Jamaica.

*Section 8.5. DATE OF DISBURSEMENT.* Disbursements by A.I.D. will be deemed to occur (a) on the date on which A.I.D. makes disbursement to the Borrower or its designee, or to a bank, contractor or supplier pursuant to a Letter of Commitment, contract, or purchase order; (b) on the date on which A.I.D. disburses to the Borrower or its designee local currency acquired in accordance with Section 8.2 (b) (1); or (c) if local currency is obtained in accordance with Section 8.2 (b) (2), on the date on which A.I.D. opens or amends the Special Letter of Credit there referred to.

## Article 9. COMMUNICATION

*Section 9.1. COMMUNICATIONS.* Any notice, request, document or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Borrower:

Mail address:

Minister of Finance  
30 National Heroes Circle  
Kingston 4, Jamaica

Address for telegrams:

Minister of Finance  
30 National Heroes Circle  
Kingston 4, Jamaica



To A.I.D.:

Mail address:

Mission Director  
USAID Jamaica  
Mutual Life Building  
2 Oxford Road  
Kingston, Jamaica

Address for telegrams:

Mission Director  
USAID Jamaica  
Mutual Life Building  
2 Oxford Road  
Kingston, Jamaica

Other addresses may be substituted for the above upon the giving of notice.

*Section 9.2. REPRESENTATIVES.* For all purposes relevant to this Agreement, the Borrower will be represented by the individual holding or acting in the office of Minister of Finance and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Jamaica, each of whom, by written notice, may designate additional representatives for all purposes other than exercising the power under Section 2.1 to revise elements of the amplified description in Annex 1. The names of the representatives of the Borrower, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized any instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

*Section 9.3. STANDARD PROVISIONS ANNEX.* A "Project Loan Standard Provisions Annex" (Annex 2) is attached to and forms part of this Agreement.

IN WITNESS WHEREOF, the Borrower and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the day and year first above written.

Government of Jamaica:

United States of America:

[Signed]

[Signed — Signé]<sup>1</sup>

By: DAVID COORE  
Title: Deputy Prime Minister  
and Minister of Finance

By: [For] FREDERICK IRVING  
Title: Ambassador

[Signed]

[Signed]

By: A. U. BELINFANTI  
Title: Minister of Agriculture

By: DONOR M. LION  
Title: Mission Director  
USAID, Jamaica

<sup>1</sup> Signed by Roy T. Haverkamp, Deputy Chief of Mission — Signé par Roy T. Haverkamp, Chef adjoint de la Mission.

## ANNEX 1

## AMPLIFIED DESCRIPTION OF THE PROJECT

A. *Project Objectives and Strategy*

The objective of the Loan, together with the Grant assistance provided in Project Grant Agreement 532-0046-77-4 and the Government of Jamaica's contribution under the program, is to assist implementation of the Integrated Rural Development Project and to develop the institutional capability of the Government of Jamaica to replicate the Project in other areas of the country.

The Integrated Rural Development Project is a multi-faceted activity that encompasses soil conservation, terracing of hillsides, reforestation, road construction and rehabilitation, agricultural training, assistance to farmer organizations, agricultural research and extension, agricultural credit, provision of agricultural inputs, improvement of marketing systems, expansion of rural electrification, delivery of potable water, and improvement of rural housing. The Project area is comprised of two watersheds, Pindars River and Two Meetings, located in Middlesex County. The target population in these watersheds numbers approximately 4,000 families (25,000 people) and consists primarily of small farmers with an average farm size of about three acres per family. Over time, as training is completed, experience gained, and additional resources mustered, it is the intention of the Government of Jamaica to extend these services to other watersheds.

The Strategy for fulfilling this objective is based upon a campaign that employs the appropriate soil conservation techniques to protect the land, while teaching farmers how to use the treated land intensively for maximum family benefit. At the same time, additional infrastructure and services as cited above will be made available to the inhabitants of the Project area.

B. *Project Components*

There are five major Project components.

1. *Erosion Control and Rural Roads*

Protection and preservation of the soil—the natural resource base—is one of the key foundation stones of the Project. Of the approximately 29,000 acres in the two watershed areas, almost 18,000 require some type of erosion control—terracing, ditching, or pastureland treatment—and another 7,000 require reforestation. Also required are stream control by waterway protection and improvement, check dam construction, and improvement of river embankments where necessary.

Road improvement activities consist of upgrading or construction of approximately 20 miles of rural roads with required bridges.

2. *Research and Delivery Systems*

An integrated research, extension, institutional development, credit delivery, and marketing assistance program will be directed towards increasing the production and productivity of the treated small farms. Five demonstration centers will be established at key locations where research on multiple-cropping and inter-cropping will be carried out and where extension agents and farmers can be exposed to the results. The research emphasis in the demonstration centers will be on improving the yield of crops, testing various inter-cropping methods, and conducting adaptive research on crops—including nontraditional crops whose strong domestic and foreign market prospects are apparent.

Additionally, different modes of appropriate technology will be tested in the centers to determine their effectiveness—such as small tractors or tillers, alternative power generating machines like windmills and water-driven generators, solar powered systems for

drying produce, production of methane and fertilizer from waste, and the production and use of charcoal.

As part of the outreach network, about 50 subcenters will be established on private farms in the Project area. These will be the last link in the research program—on-site testing under typical conditions—and an important component of the extension program. As new production systems are being tested in these subcenters, the participating farmers will receive special demonstratory assistance from the extension services as well as the farm inputs required for the production system being tested. Where failures in the system result in loss of income for the farmers, the extension service will reimburse the farmer for his losses.

Organizations that serve the small farmers will be strengthened so they can play a more active and important role in the extension program and in the delivery of needed services to members. First, a farmer organization will assist the soil conservation and extension officers to set up meetings with farmers of the area to explain the land treatment program and to sign up farmers. Once farmers have gone through this initial phase, the extension service will work closely with the organizations to see that these farmers receive adequate instruction in the use of improved farming practices. In conjunction with this, the necessary inputs and credit will also be made available to participating farmers. Agricultural inputs may be channeled through local branches of the Jamaica Agricultural Society or other cooperative type groups. These organizations will also assist in the marketing of farmer's produce and, depending on managerial capacity and economic feasibility, engage in processing activities before sale to wholesale or retail outlets. Adequate credit will be channeled to farmers through the Agricultural Credit Board or other credit institutions and participating banks such as the People's Cooperative Bank. Close linkages will be developed among these three activities: purchase of agricultural inputs, the provision of credit, and the technical recommendations of the extension officers.

### 3. *Rural Community Improvements*

To further increase the standard of living in the Project area and, consequently, the attractiveness of remaining on the farm instead of migrating to the cities, rural electrification systems will be extended to additional residents, potable water delivery expanded, and houses refurbished or constructed.

The extension of electricity to the area is part of a Government of Jamaica/Inter-American Development Bank Program to install approximately 95 miles of transmission line in the area. Approximately 15,000 people will benefit. Delivery of potable water will be carried out by expanding the existing facilities at Moravia (Two Meetings watershed) and constructing a second plant, also in the Two Meetings area.

Housing refurbishment or construction will be carried out under the auspices of the Ministry of Agriculture. Approximately 35 houses a year will be constructed or refurbished in the Project area during the life of the Project (165 in total) and a housing scheme being constructed at Croft's Hill by the Ministry of Housing will provide an additional 80 units.

### 4. *Evaluation*

An evaluation system will be established at the beginning of the Project. The baseline survey conducted during the design of the Project will be analyzed and key benchmarks established; other information to supplement the baseline data may also be gathered. The benchmarks will describe not only the physical properties of the Project area but also, to the extent possible, the socio-economic characteristics of the population.

A management information system will be designed to insure that relevant information on the progress of the Project is collected routinely—not only to serve as a management tool but also to insure that annual evaluations are based on accurate, current information. The initial evaluation will, perforce, treat the physical aspects of the Project, i.e., area terraced, miles of roads built or improved, amount of credit extended, etc. However, by

the third and fourth year of the Project, attempts will be made to measure the changes in production and productivity of participating farmers and their resulting income. This latter set of evaluation indicators could possibly be conducted by using another similar watershed as a control; for this purpose, baseline data comparable to Project area benchmarks will be gathered there. This method would allow comparison not only by “before-and-after” criteria but also by juxtaposition to a like population in a similar setting. The control area could then become the site for a similar Project.

#### 5. *Technical Assistance and Training*

The companion Grant Agreement has provided funds for technical assistance and training. The technical assistance is being used to fill existing skill shortages and to transfer Project experience to participating Jamaican technicians.

Technical assistance advisors are being contracted for the above Project components, to work with private institutions such as farmer organizations as well as public agencies. The contracted advisors will, in some cases, be filling in for Jamaican technicians whose training is being carried on.

The formal training program, in conjunction with on-the-job training and in-service training using contracted advisors, is designed to develop a corps of trained and experienced technicians who will be capable of managing similar projects in other watersheds. Areas of specialization are being chosen and candidates selected for a mix of short- and long-term training programs—some culminating in degrees—that will provide the critical mass necessary for both the successful implementation of this Project and potential future extension into other areas. The Ministry of Agriculture has drawn up an outline training plan.

#### 6. *Implementation*

The Minister of Finance has overall responsibility for the loan. The Minister of Agriculture as nominee of the Minister of Finance has responsibility for the day-to-day implementation and management of the Project. The Minister of Agriculture may delegate this responsibility to his staff as appropriate. Some Project components, however, fall under the purview of other Government of Jamaica agencies, such as roads and bridges under the Ministry of Works, rural electrification under the Ministry of Public Utilities and Transport, and extension of potable water under the Ministry of Local Government.

Coordination of these several components is the responsibility of the Inter-Ministerial Standing Committee for Land Reform and Rural Development, consisting of a Chairman, who shall be the Permanent Secretary of the Ministry of Agriculture, and representatives of the Ministries responsible for Finance, Works, Local Government, Health, Housing, Education, Commerce, Agricultural Marketing, Public Utilities, Social Services and such other ministries or agencies as the Government of Jamaica may determine. The Committee shall assist the Ministry of Agriculture to coordinate and supervise the execution of the IRD Project. This Committee shall meet at least once every three months.

Within the Ministry of Agriculture, the Director of the Southern Region, acting jointly with the Project Coordinator, has operational responsibility for the Project. A Project Advisory Committee, chaired by the Permanent Secretary of the Ministry, will meet monthly during the initial phase of the Project, and will insure that intra-ministerial coordination is achieved. Members of this Committee include: the Permanent Secretary (Chairman), Project Coordinator (Secretary), the Southern Region Director, the Directors of Forestry, Special Programmes, Extension, Planning, Research, Data Bank and Evaluation Division, and the Production Unit, the Chief Information Officer, and other such officers as the chairman may from time to time determine.

Proposed staff requirements for the Project are shown in Appendix B to this Annex. Permanent appointments for Ministry of Agriculture personnel will be made, and new technicians hired for the Project will form part of the permanent corps for potential Project replication.

## C. Procurement and Disbursement

Procurement contracts for goods and services will, in general, be made by the Government of Jamaica, based on competitive procedures. AID requirements with regard to such contracts are found in Handbook 11 and will be further stipulated in Implementation Letters. Detailed disbursement procedures will also be set forth in Implementation Letters.

## Annex I—Appendix A

## SUMMARY FINANCIAL PLAN

|  | US\$000 |        |        |
|--|---------|--------|--------|
|  | GOJ     | AID    | Total  |
| Soil conservation                          |         |        |        |
| Bench terraces .....                       | 905     | 2,715  | 3,620  |
| Orchard terraces .....                     | 140     | 420    | 560    |
| Hillside ditches and basins .....          | 1,270   | 3,810  | 5,080  |
| Pasture with ditches .....                 | 105     | 315    | 420    |
| Water catchments .....                     | 20      | 60     | 80     |
| SUBTOTAL                                   | 2,440   | 7,320  | 9,760  |
| Forestation .....                          | 1,040   | 1,200  | 2,240  |
| Engineering works                          |         |        |        |
| Road construction and rehabilitation ..... | 310     | 920    | 1,230  |
| River and stream control .....             | 50      | 160    | 210    |
| SUBTOTAL                                   | 360     | 1,080  | 1,440  |
| Demonstration and training centers .....   | 30      | 450    | 480    |
| Farmer organizations and services .....    | —       | 400    | 400    |
| Agricultural production credit .....       | 1,280   | —      | 1,280  |
| Commodities                                |         |        |        |
| Heavy equipment .....                      | —       | 1,300  | 1,300  |
| Vehicles .....                             | —       | 250    | 250    |
| Light equipment and supplies .....         | —       | 200    | 200    |
| SUBTOTAL                                   | —       | 1,750  | 1,750  |
| Salaries of Min Ag personnel .....         | 4,000   | —      | 4,000  |
| Other operating expenses of Min Ag .....   | 400     | —      | 400    |
| Water systems .....                        | 240     | —      | 240    |
| Rural electrification program .....        | 960     | —      | 960    |
| Rural housing .....                        | 180     | —      | 180    |
| Evaluation and replication .....           | —       | 320    | 320    |
| Technical assistance* .....                | —       | 1,530  | 1,530  |
| Training* .....                            | —       | 470    | 470    |
| Contingency .....                          | 270     | 480    | 750    |
|  | 11,200  | 15,000 | 26,200 |

\* Totals \$2 million Grant financing, which is being provided incrementally, with \$700,000 having been provided under Grant Agreement 532-0046-77-4. Subsequent increments are subject to the availability of funds to AID for this purpose, and to the mutual agreement of the Parties, at the time of a subsequent increment, to proceed.

*Annex 1—Appendix B**PROPOSED GOVERNMENT OF JAMAICA STAFFING PATTERN*

Abbreviations are Jamaica Government service titles.

*I. Project Development Committee*

- (1) Regional Director (Southern)—SMGI
- (2) Deputy Regional Director—NPS IV
- (3) Director Forestry Extension—NPS III
- (4) Chief Soil Conservation Officer—NPS III
- (5) Director Planning and Policy Review—SMG II
- (6) Director Data Bank—NPS IV
- (7) Director Extension Services—SMG II
- (8) Director Research—SMG II

*II. Consultancy Services—Headquarters (Local Counterparts to Overseas Consultants)*

- (1) Soil Conservation Engineer—NPS II
- (2) Soil Conservation Economist—NPS II
- (3) Conservation Farming Planner—NPS II
- (4) Water Harvesting Engineer—NPS II

*III. Staff—Project Implementation*

- (1) One Project Manager—NPS IV
- (2) Two Snr. Soil Conservation Officers—NPS II
- (3) Twenty Soil Conservation Officers—PST II
- (4) Forty Headmen—TSS III
- (5) Twenty Field Assistants—TSS III
- (6) Eighty Senior Labourers—\$6 p.d.

*IV. Extension and Forestry*

- (1) Parish Manager—Manchester—PMA III
- (2) Parish Manager—Clarendon
- (3) Two Snr. Extension Officers—NPS II
- (4) Twenty Extension Officers—PST II
- (5) One Forest Officer—NPS II
- (6) One Assistant Forest Supervisor—GN III
- (7) Three Foresters—PST/GN II
- (8) Eight Forest Wardens (Headmen)—LMO II

*V. Administrative Support Services*

- (1) Executive Officer—CR V
- (2) Project Accountant—FAA III
- (3) Two Assistant Accountants—FAA I
- (4) Two Secretary/Stenographers—ST III
- (5) Four Typists—ST I
- (6) Two Clerical Officers—CR II
- (7) Store Keeper—CR II

*VI. Technical Support Services*

- (1) Eight Tractor Drivers—LMO IV
- (2) Eight Assistant Tractor Drivers—LMO II
- (3) One Driver, Mobile Repair Unit—LMO III

- (4) One Driver, LowBoy—LMO IV
- (5) Mechanical Maintenance Supervisor—AIT III
- (6) Two Assistant Mechanics—AIT I
- (7) Twenty Pick-up Drivers—LMO III

[ANNEX 2]

PROJECT LOAN STANDARD PROVISIONS ANNEX

*Definitions.* As used in this Annex, the “Agreement” refers to the Project Loan Agreement to which this Annex is attached and of which this Annex forms a part. Terms used in this Annex have the same meaning or reference as in the Agreement.

*Article A. PROJECT IMPLEMENTATION LETTERS*

To assist Borrower in the implementation of the Project, A.I.D., from time to time, will issue Project Implementation Letters that will furnish additional information about matters stated in this Agreement. The parties may also use jointly agreed-upon Project Implementation Letters to confirm and record their mutual understanding on aspects of the implementation of this Agreement. Project Implementation Letters will not be used to amend the text of the Agreement, but can be used to record revisions or exceptions which are permitted by the Agreement, including the revision of elements of the amplified description of the Project in Annex 1.

*Article B. GENERAL COVENANTS*

*Section B.1. CONSULTATION.* The Parties will cooperate to assure that the purpose of this Agreement will be accomplished. To this end, the Parties, at the request of either, will exchange views on the progress of the Project, the performance of obligations under this Agreement, the performance of any consultants, contractors, or suppliers engaged on the Project, and other matters relating to the Project.

*Section B.2. EXECUTION OF PROJECT.* The Borrower will:

- (a) Carry out the Project or cause it to be carried out with due diligence and efficiency, in conformity with sound technical, financial, and management practices, and in conformity with those documents, plans, specifications, contracts, schedules, or other arrangements, and with any modifications therein, approved by A.I.D. pursuant to this Agreement; and
- (b) Provide qualified and experienced management for, and train such staff as may be appropriate for the maintenance and operation of the Project, and, as applicable for continuing activities, cause the Project to be operated and maintained in such manner as to assure the continuing and successful achievement of the purposes of the Project.

*Section B.3. UTILIZATION OF GOODS AND SERVICES.* (a) Any resources financed under the Loan will, unless otherwise agreed in writing by A.I.D., be devoted to the Project until the completion of the Project, and thereafter will be used so as to further the objectives sought in carrying out the Project.

(b) Goods or services financed under the Loan, except as A.I.D. may otherwise agree in writing, will not be used to promote or assist a foreign aid project or activity associated with or financed by a country not included in Code 935 of the A.I.D. Geographic Code Book as in effect at the time of such use. [See Handbook 18, Appendix D.]

*Section B.4. TAXATION.* (a) This Agreement and the Loan will be free from, and the Principal and interest will be paid free from, any taxation or fees imposed under laws in effect in the territory of the Borrower.

(b) To the extent that (1) any contractor, including any consulting firm, any personnel of such contractor financed under the Loan, and any property or transactions relating to such contracts and (2) any commodity procurement transaction financed under the Loan are not exempt from identifiable taxes, tariffs, duties, or other levies imposed under laws in effect in the territory of the Borrower, the Borrower will, as and to the extent provided in and pursuant to Project Implementation Letters, pay or reimburse the same with funds other than those provided under the Loan.

*Section B.5. REPORTS, RECORDS, INSPECTIONS, AUDIT.* The Borrower will:

- (a) Furnish A.I.D. such information and reports relating to the Project and to this Agreement as A.I.D. may reasonably request;
- (b) Maintain or cause to be maintained, in accordance with generally accepted accounting principles and practices consistently applied, books and records relating to the Project and to this Agreement, adequate to show, without limitation, the receipt and use of goods and services acquired under the Loan. Such books and records will be audited regularly, in accordance with generally accepted auditing standards, and maintained for three years after the date of last disbursement by A.I.D.; such books and records will also be adequate to show the nature and extent of solicitations of prospective suppliers of goods and services acquired, the basis of award of contracts and orders, and the overall progress of the Project toward completion; and
- (c) Afford authorized representatives of a Party the opportunity at all reasonable times to inspect the Project, the utilization of goods and services financed by such Party, and books, records, and other documents relating to the Project and the Loan.

*Section B.6. COMPLETENESS OF INFORMATION.* The Borrower confirms:

- (a) That the facts and circumstances of which it has informed A.I.D., or caused A.I.D. to be informed, in the course of reaching agreement with A.I.D. on the Loan, are accurate and complete, and include all facts and circumstances that might materially affect the Project and the discharge of responsibilities under this Agreement;
- (b) That it will inform A.I.D. in timely fashion of any subsequent facts and circumstances that might materially affect, or that it is reasonable to believe might so affect, the Project or the discharge of responsibilities under this Agreement.

*Section B.7. OTHER PAYMENTS.* Borrower affirms that no payments have been or will be received by any official of the Borrower in connection with the procurement of goods or services financed under the Loan except fees, taxes, or similar payments legally established in the country of the Borrower.

*Section B.8. INFORMATION AND MARKING.* The Borrower will give appropriate publicity to the Loan and the Project as a program to which the United States has contributed, identify the Project site, and mark goods financed by A.I.D., as described in Project Implementation Letters.

#### Article C. PROCUREMENT PROVISIONS

*Section C.1. SPECIAL RULES.* (a) The source and origin of ocean and air shipping will be deemed to be the ocean vessel's or aircraft's country of registry at the time of shipment.

(b) Premiums for marine insurance placed in the territory of the Borrower will be deemed an eligible Foreign Exchange Cost, if otherwise eligible under Section C.7(a).

(c) Any motor vehicles financed under the Loan will be of United States manufacture, except as A.I.D. may otherwise agree in writing.

*Section C.2. ELIGIBILITY DATE.* No goods or services may be financed under the Loan which are procured pursuant to orders or contracts firmly placed or entered into prior to the date of this Agreement, except as the Parties may otherwise agree in writing.



*Section C.3. PLANS, SPECIFICATIONS, AND CONTRACTS.* In order for there to be mutual agreement on the following matters, and except as the Parties may otherwise agree in writing:

(a) The Borrower will furnish to A.I.D. upon preparation:

- (1) Any plans, specifications, procurement or construction schedules, contracts, or other documentation relating to goods or services to be financed under the Loan, including documentation relating to the prequalification and selection of contractors and to the solicitation of bids and proposals. Material modifications in such documentation will likewise be furnished A.I.D. on preparation;
- (2) Such documentation will also be furnished to A.I.D., upon preparation, relating to any goods or services which, though not financed under the Loan, are deemed by A.I.D. to be of major importance to the Project. Aspects of the Project involving matters under this sub-section (a) (2) will be identified in Project Implementation Letters;

(b) Documents related to the prequalification of contractors, and to the solicitation of bids or proposals for goods and services financed under the Loan will be approved by A.I.D. in writing prior to their issuance, and their terms will include United States standards and measurements;

(c) Contracts and contractors financed under the Loan for engineering and other professional services, for construction services, and for such other services, equipment, or materials as may be specified in Project Implementation Letters, will be approved by A.I.D. in writing prior to execution of the contract. Material modifications in such contracts will also be approved in writing by A.I.D. prior to execution; and

(d) Consulting firms used by the Borrower for the Project but not financed under the Loan, the scope of their services and such of their personnel assigned to the Project as A.I.D. may specify, and construction contractors used by the Borrower for the Project but not financed under the Loan shall be acceptable to A.I.D.

*Section C.4. REASONABLE PRICE.* No more than reasonable prices will be paid for any goods or services financed, in whole or in part, under the Loan. Such items will be procured on a fair and, to the maximum extent practicable, on a competitive basis.

*Section C.5. NOTIFICATION TO POTENTIAL SUPPLIERS.* To permit all United States firms to have the opportunity to participate in furnishing goods and services to be financed under the Loan, the Borrower will furnish A.I.D. such information with regard thereto, and at such times, as A.I.D. may request in Project Implementation Letters.

*Section C.6. SHIPPING.* (a) Goods which are to be transported to the territory of the Borrower may not be financed under the Loan if transported either:

- (1) On an ocean vessel or aircraft under the flag of a country which is not included in A.I.D. Geographic Code 935 as in effect at the time of shipment; or
- (2) On an ocean vessel which A.I.D., by written notice to the Borrower has designated as ineligible; or
- (3) Under an ocean or air charter which has not received prior A.I.D. approval.

(b) Costs of ocean or air transportation (of goods or persons) and related delivery services may not be financed under the Loan, if such goods or persons are carried:

- (1) On an ocean vessel under the flag of a country not, at the time of shipment, identified under the paragraph of the Agreement entitled "Procurement Source: Foreign Exchange Costs," without prior written A.I.D. approval; or
- (2) On an ocean vessel which A.I.D., by written notice to the Borrower, has designated as ineligible; or
- (3) Under an ocean vessel or air charter which has not received prior A.I.D. approval.

(c) Unless A.I.D. determines that privately owned United States-flag commercial ocean vessels are not available at fair and reasonable rates for such vessels,

- (1) At least fifty percent (50%) of the gross tonnage of all goods (computed separately for dry bulk carriers, dry cargo liners and tankers) financed by A.I.D. which may be transported on ocean vessels will be transported on privately owned United States-flag commercial vessels, and
- (2) At least fifty percent (50%) of the gross freight revenue generated by all shipments financed by A.I.D. and transported to the territory of the Borrower on dry cargo liners shall be paid to or for the benefit of privately owned United States-flag commercial vessels. Compliance with the requirements of (1) and (2) of this subsection must be achieved with respect to any cargo transported from U.S. ports and also any cargo transported from non-U.S. ports, computed separately.

*Section C.7. INSURANCE.* (a) Marine insurance on goods financed by A.I.D. which are to be transported to the territory of the Borrower may be financed as a Foreign Exchange Cost under this Agreement provided,

- (1) Such insurance is placed at the lowest available competitive rate, and
- (2) Claims thereunder are payable in the currency in which such goods were financed or in any freely convertible currency. If the Borrower (or government of Borrower), by statute, decree, rule, regulation, or practice discriminates with respect to A.I.D.-financed procurement against any marine insurance company authorized to do business in any State of the United States, then all goods shipped to the territory of the Borrower financed by A.I.D. hereunder will be insured against marine risks and such insurance will be placed in the United States with a company or companies authorized to do a marine insurance business in a State of the United States.

(b) Except as A.I.D. may otherwise agree in writing, the Borrower will insure, or cause to be insured, goods financed under the Loan imported for the Project against risks incident to their transit to the point of their use in the Project; such insurance will be issued on terms and conditions consistent with sound commercial practice and will insure the full value of the goods. Any indemnification received by the Borrower under such insurance will be used to replace or repair any material damage or any loss of the goods insured or will be used to reimburse the Borrower for the replacement or repair of such goods. Any such replacement will be of source and origin of countries listed in A.I.D. Geographic Code 935 as in effect at the time of replacement, and, except as the Parties may agree in writing, will be otherwise subject to the provisions of the Agreement.

*Section C.8. U.S. GOVERNMENT-OWNED EXCESS PROPERTY.* The Borrower agrees that wherever practicable United States Government-owned excess personal property, in lieu of new items financed under the Loan, should be utilized. Funds under the Loan may be used to finance the costs of obtaining such property for the Project.

#### *Article D. TERMINATION; REMEDIES*

*Section D.1. CANCELLATION BY BORROWER.* The Borrower may, by giving A.I.D. 30 days written notice, cancel any part of the Loan which has not been disbursed or committed for disbursement to third parties.

*Section D.2. EVENTS OF DEFAULT; ACCELERATION.* It will be an "Event of Default" if Borrower shall have failed:

- (a) To pay when due any interest or installment of Principal required under this Agreement, or
- (b) To comply with any other provision of this Agreement, or
- (c) To pay when due any interest or installment of Principal or other payment required under any other loan, guaranty or other agreement between the Borrower or any of its

agencies and A.I.D. or any of its predecessor agencies. If an Event of Default shall have occurred, then A.I.D. may give the Borrower notice that all or any part of the unrepaid Principal will be due and payable sixty (60) days thereafter, and, unless such Event of Default is cured within that time:

- (1) Such unrepaid Principal and accrued interest hereunder will be due and payable immediately, and
- (2) The amount of any further disbursements made pursuant to then outstanding commitments to third parties or otherwise will become due and payable as soon as made.

*Section D.3. SUSPENSION.* If at any time:

- (a) An Event of Default has occurred; or
- (b) An event occurs that A.I.D. determines to be an extraordinary situation that makes it improbable either that the purpose of the Loan will be attained or that the Borrower will be able to perform its obligations under this Agreement; or
- (c) Any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or
- (d) The Borrower shall have failed to pay when due any interest, installment of principal or other payment required under any other loan, guaranty, or other agreement between the Borrower or any of its agencies and the Government of the United States or any of its agencies;

Then A.I.D. may:

- (1) Suspend or cancel outstanding commitment documents to the extent they have not been utilized through irrevocable commitments to third parties or otherwise, giving prompt notice thereof to the Borrower;
- (2) Decline to issue additional commitment documents or to make disbursements other than under existing ones; and
- (3) At A.I.D.'s expense, direct that title to goods financed under the Loan be transferred to A.I.D. if the goods are from a source outside Borrower's country, are in a deliverable state and have not been offloaded in ports of entry of Borrower's country. Any disbursement made under the Loan with respect to such transferred goods will be deducted from Principal.

*Section D.4. CANCELLATION BY A.I.D.* If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section D.3, the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Loan that is not then disbursed or irrevocably committed to third parties.

*Section D.5. CONTINUED EFFECTIVENESS OF AGREEMENT.* Notwithstanding any cancellation, suspension of disbursements, or acceleration of repayment, the provisions of this Agreement will continue in effect until the payment in full of all Principal and accrued interest hereunder.

*Section D.6. REFUNDS.* (a) In the case of any disbursement which is not supported by valid documentation in accordance with this Agreement, or which is not made or used in accordance with this Agreement, or which was for goods or services not used in accordance with this Agreement, A.I.D., notwithstanding the availability or exercise of any other remedies provided for under this Agreement, may require the Borrower to refund the amount of such disbursement in United States Dollars to A.I.D. within sixty (60) days after receipt of a request therefor. The right to require such a refund of a disbursement will continue, notwithstanding any other provision of this Agreement, for three (3) years from the date of the last disbursement under this Agreement.

- (b) (1) Any refund under the preceding subsection, or

(2) Any refund to A.I.D. from a contractor, supplier, bank, or other third party with respect to goods or services financed under the Loan, which refund relates to an unreasonable price for or erroneous invoicing of goods or services, or to goods that did not conform to specifications, or to services that were inadequate, will,

- A. Be made available first for the cost of goods and service required for the Project, to the extent justified, and
- B. The remainder, if any, will be applied to the installments of Principal in the inverse order of their maturity and the amount of the Loan reduced by the amount of such remainder.

*Section D.7. NONWAIVER OF REMEDIES.* No delay in exercising any right or remedy accruing to a Party in connection with its financing under this Agreement will be construed as a waiver of such right or remedy.

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