

PDKAO 810

GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF JAMAICA
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
ACTING THROUGH
THE AGENCY FOR INTERNATIONAL DEVELOPMENT
FOR
PRODUCTION & EMPLOYMENT IX

DATE: March 9, 1989

PROJECT NUMBER 532-0146

GRANT NUMBER 532-K-604

BPC: LES989-35532-KG31

APPROPRIATION: 72-119/01037

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Grant Agreement
Between the
Government of Jamaica
and the
United States of America

Article 1: The Agreement

By this AGREEMENT, the Government of the United States of America acting through the Agency for International Development (hereinafter referred to as "A.I.D.") and the Government of Jamaica hereby agree as follows:

Article 2: Financing

SECTION 2.1. The Grant. For the purpose of providing balance of payments support to the Government of Jamaica to enable it to continue with its economic stabilization program begun earlier and to proceed with efforts to remove restrictions on the economy which hinder long term development, and to increase production and employment, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant the Government of Jamaica under the terms of this Agreement not to exceed Twelve Million One Hundred Thousand United States ("U.S.") Dollars (US\$12,100,000) ("Grant").

Article 3: Conditions Precedent to Disbursement

SECTION 3.1. First Disbursement. Prior to the first disbursement under this Agreement, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Government of Jamaica will furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(a) An opinion of the Attorney General of the Government of Jamaica, or other counsel satisfactory to A.I.D., that this Agreement has been duly authorized and/or ratified, and executed on behalf of the Government of Jamaica and that it constitutes a valid and legally binding obligation of the Government of Jamaica in accordance with all of its terms.

(b) A statement representing and warranting that the named person or persons have the authority to act as the representative or representatives of the Government of Jamaica together with a specimen signature of each person certified as to its authenticity.

(c) Written evidence that a separate account has been established by the Government of Jamaica at a United States bank in the United States specifically and only for the receipt of the U.S. dollars made available under the Agreement.

(d) A letter of request outlining the macroeconomic and structural reform guidelines that the GOJ has set out to achieve as part of its economic growth and stabilization program.

SECTION 3.2. Notification. When A.I.D. has determined that the Conditions Precedent specified in Section 3.1. have been met, it will promptly notify the Government of Jamaica.

SECTION 3.3. Terminal Dates for Conditions Precedent. If the Conditions specified in Section 3.1. have not been met within thirty (30) days from the date this Agreement is made and entered into, 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 the Government of Jamaica.

Article 4: Disbursement

SECTION 4.1. Deposit of Disbursed Funds. The disbursement of the Grant funds made available under this Agreement will be made pursuant to duly executed Requests for Disbursement by the Government of Jamaica and subsequent to satisfaction of the Conditions Precedent to Disbursement in Article 3. Each Request for Disbursement will be submitted, using A.I.D. form 1130-2(1-65), to the Mission Director, USAID Mission to Jamaica, in form and substance satisfactory to A.I.D, together with the documentation specified in Article 3. In accordance with the Request for Disbursement, A.I.D. will deposit the funds into the account of the Government of Jamaica at a United States bank in the United States designated by the Government of Jamaica pursuant to Section 3.1.(c). No other funds shall be commingled in this account.

SECTION 4.2. Date of Disbursement. The date of disbursement will be deemed to be the date(s) on which the funds are deposited to the specified account of the Government of Jamaica.

SECTION 4.3. Terminal Date for Requesting Disbursement. Terminal date for requesting disbursement of grant funds will be six (6) months from the date of this Agreement, except as A.I.D.

may otherwise agree in writing. Following such date, A.I.D. shall be under no obligation to disburse any funds remaining undisbursed and may unilaterally deobligate such funds with no further notice to the Government of Jamaica.

Article 5: Use of Funds

SECTION 5.1. Acceptable Uses. The government of Jamaica agrees that the funds made available under this Agreement, together with any interest earned thereon while held in the separate account mentioned in Section 4.1, shall be used to effect debt service payments.

SECTION 5.2. Ineligible Procurement. The Government of Jamaica agrees that the debt to be serviced pursuant to Section 5.1. shall not include debt relating to military or police requirements or debt known to have been incurred to finance equipment for surveillance, abortion, gambling, or weather modification; luxury items; or pesticides which are not registered by the U.S. Environmental Protection Agency for use without restriction. Service of debt owed to the U.S. government (exclusive of FMS debt) shall have first priority, followed by servicing of debt owed to multilateral development banks and the IMF.

SECTION 5.3. Use Approval and Documentation. The Government of Jamaica further agrees to notify A.I.D. of those debt transactions which qualify under the criteria stated in Section 5.1. Following A.I.D. authorization of those specific transactions, the Government of Jamaica will withdraw sufficient funds from the separate account for direct payment to the end user. The Government of Jamaica will furnish such reports on uses to verify compliance with this requirement as A.I.D. may specify in writing and as are satisfactory to A.I.D. in form and substance. Such documentation shall be retained by the Bank of Jamaica as part of its files related to this Agreement and shall be available for review and/or audit in accordance with Section 8.2. hereof.

SECTION 5.4. Redeposit. The Government of Jamaica further agrees to redeposit in the said separate account any amounts, as directed by A.I.D., representing funds applied to a disallowed use, and to reprogram such funds to a permitted use.

Article 6: Special Covenant

The Government of Jamaica covenants that, except as A.I.D. may otherwise agree in writing, it will cooperate to assure that the purpose of this Agreement will be accomplished. Accordingly, the GOJ will continue to maintain and implement a stabilization and

structural reform program. To this end, the Parties, at the request of either, will exchange views on the progress of the program.

Article 7: Local Currency

SECTION 7.1. Deposit of Local Currency. The Government of Jamaica agrees that, except as A.I.D. may otherwise agree in writing:

(a) Within two weeks of the end of the month in which a disbursement occurs under the Grant, it will provide to A.I.D. a bank statement showing that it has deposited Jamaican dollar funds in an amount equivalent to the U.S. dollar disbursement in a special account at the Bank of Jamaica, using the highest rate of exchange which is not unlawful for such transactions in Jamaica, on the date of the dollar disbursement, in determining the amount to be so deposited. This Special Account shall be used only for the deposit of Jamaican dollars attributable to this Agreement.

(b) Until such funds are released from the Special Account for mutually agreed uses, interest will accrue thereon and be paid into the same account on a quarterly basis at the minimum rate of interest specified by the Bank of Jamaica as payable on ordinary savings deposits in commercial banks in Jamaica.

SECTION 7.2. Use of Local Currency. The Government of Jamaica further agrees that, except as A.I.D. may otherwise agree in writing:

(a) It will use the Jamaican dollar funds in the Special Account and any interest paid thereon only for purposes agreed upon with A.I.D. and consistent with the A.I.D. program of assistance to Jamaica. A general budgetary support approach to programming will be jointly agreed upon in implementation letters executed subsequent to this Agreement.

(b) The Government of Jamaica will report to A.I.D., in form and substance satisfactory to A.I.D., in order to document that the local currency funds allocated pursuant to this Agreement were used for the agreed upon purposes.

SECTION 7.3. Redeposit. The Government of Jamaica further agrees to redeposit in the said Special Account any amounts, as directed by A.I.D., representing funds applied to a disallowed use, and to reprogram such funds to a permitted use.

Article 8: Miscellaneous

SECTION 8.1. Taxation. This Agreement and the amount to be granted hereunder shall be free from any taxation or fees imposed under any laws in effect within Jamaica.

SECTION 8.2. Records. The Government of Jamaica agrees to maintain financial records relating to compliance with this Agreement, by use of the Grantee's usual accounting procedures, which shall follow generally accepted accounting procedures. All such financial records shall be maintained for at least three years after the final disbursement and shall be made available at any reasonable time to authorized representatives of A.I.D. for the purpose of examination and inspection.

SECTION 8.3. 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, cable, or radiogram, and will be deemed duly given or sent when delivered to such party at the following addresses:

To Government of Jamaica:

The Financial Secretary
Ministry of Finance
30 National Heroes Circle
Kingston 4, Jamaica

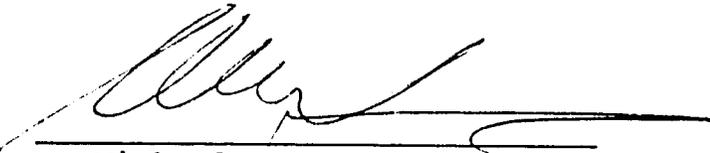
To A.I.D.:

Director
USAID Mission to Jamaica
American Embassy
Kingston, Jamaica.

SECTION 8.4. Representatives. For all purposes relevant to this Agreement, the Government of Jamaica will be represented by the individual holding or acting in the office of the Minister of Finance, and A.I.D. will be represented by the individual holding or acting in the office of Mission Director, USAID Mission to Jamaica, each of whom, by written notice, may designate additional representatives for any purpose other than the amendment thereof. The names of the representatives of the Government of Jamaica, 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.

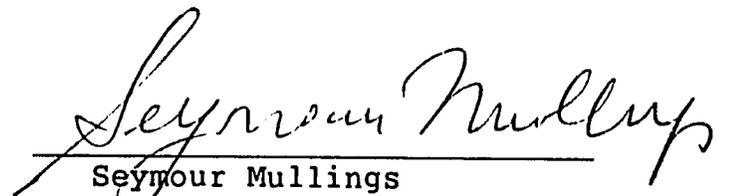
IN WITNESS WHEREOF, the Governments of Jamaica and of the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date and year first below written.

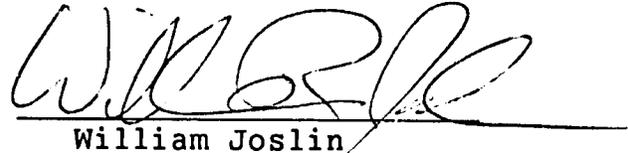
GOVERNMENT OF JAMAICA


Michael N. Manley, M.P.
Prime Minister

UNITED STATES OF AMERICA


Michael Sotirhos
Ambassador


Seymour Mullings
Minister of Finance
and Public Service


William Joslin
Director,
United States A.I.D.
Mission to Jamaica

MAR 09 1989

Date

MEMORANDUM OF UNDERSTANDING

PRODUCTION AND EMPLOYMENT IX

This Memorandum of Understanding provides information and sets forth additional details concerning the Grant Agreement ("Agreement"), number 532-K-604, between the Government of Jamaica (hereinafter referred to as the "Government") and the Government of the United States of America acting through the Agency for International Development (hereinafter referred to as "USAID") dated March 9, 1989. Nothing in this Memorandum should be construed as modifying the Agreement or any of its provisions herein referred to or explained.

I. General

The Government and USAID agree that a full discussion of progress toward compliance with the Terms, Conditions, and Covenants of this Agreement shall be undertaken on a regular basis. Accordingly, the Government and USAID agree to continue the present system of quarterly reviews chaired by the Minister of Finance.

In order that these reviews may take place on a timely basis, it is essential that both the Government and USAID officers charged with responsibility for implementation have ready and timely access to all the necessary data. Accordingly, the Government and USAID will cooperate fully in carrying out these reviews including, but not limited to, the Government providing relevant information from the Bank of Jamaica and all appropriate Ministries to the USAID on a timely basis.

II. Utilization and Management of U.S. Dollar Resources

Pursuant to Article 4 of the Agreement, the funds will be disbursed into the interest bearing Separate Account of the GOJ at Irving Trust Company in New York. This account was established specifically for this purpose under Production and Employment VII; the BOJ will maintain this account for this purpose, ensuring that the previous balance is nil on the date of disbursement and deposit of this and any subsequent cash transfer funds. No other funds will be commingled in this account.

Prior to presenting a request for disbursement, the GOJ will present evidence that the balance in the Separate Account is nil. Following disbursement, the GOJ will send USAID documentation showing that the deposit has been made to the GOJ Separate Account.

Pursuant to Article 5 of Agreement, the GOJ is required to use the funds, and any accrued interest, to effect debt service payments. This will not include debt relating to police or military requirements or debt known to have been incurred to finance equipment for surveillance, abortion, gambling, or weather modification; luxury items; or pesticides which are not registered by the U.S. Environmental Protection Agency for use without restriction. Service of debt owed to the U.S. government (exclusive of FMS debt) shall have first priority, followed by debt owed to multilateral development banks and the IMF.

Payments must be made directly from the Separate Account to the end use, e.g. the creditor's account. There should be no intermediate transferral to a GOJ temporary general use account.

Following disbursement of the funds for agreed upon debt servicing, the Bank of Jamaica will submit documentation tracking the funds to the end use. These will include (a) copies of telegraphic instructions from the Bank of Jamaica to the United States Bank where the funds are lodged authorizing payments for a particular purpose (i.e. payment for a particular loan), (b) copies of the advice of debit from the account, and (c) copies of bank statements showing the movement of funds.

III. Local Currency Programming and Reporting

Pursuant to Section 7 of the Agreement, the GOJ is required to deposit an equivalent amount of local currency into a Special Account in the Bank of Jamaica. As evidence of this transaction, the GOJ will provide to USAID a bank statement within two weeks of the end of the month in which the disbursement occurs. This will be an interest bearing account. Funds made available as a result of the Grant Agreement, as well as any interest accruing thereon, will be used for mutually agreed upon purposes consistent with the A.I.D. program of assistance to Jamaica.

The following summarizes the procedures which will be used to program and report on the use of the Local Currency.

(1) Use: The Local Currency made available for joint programming under the ESF Agreement will be used to assist the GOJ in meeting its fiscal objectives. This budget support for the GOJ will be provided in support of the capital development portion of the annual Estimates of Expenditure that is not being financed by other sources, i.e., USAID or other external donor contribution to a project or local currency made available through the PL-480 or other donor programs.

(2) Programming: On the basis of the GOJ "Financial Statements and Revenue Estimates" for a given Jamaican Fiscal Year, which is usually tabled by the Jamaican House of Representatives sometime in May, staff of the MOF (Economic Division/Public Debt Section/International Loan Monitoring Unit) will identify the capital development budget categories which actively support A.I.D.'s programmatic objectives in Jamaica, i.e. (1) increase agricultural production, (2) strengthen the private sector, (3) stabilize financial structures, (4) increase GDP, (5) promote exports, (6) preserve and manage natural resources, (7) expand and improve the infrastructure, (8) increase access to voluntary family planning, (9) improve health and child survival, (10) improve housing, (11) improve educational opportunities, and (12) strengthen democratic institutions.

The Mission's ESF Project Officer in the Office of Projects and Private Enterprise will review the criteria with the MOF to ensure that no ineligible categories have been included. Following negotiations with the MOF on any discrepancies, the Project Officer will prepare a Project Implementation Letter to be signed by the Mission Director and countersigned by the Financial Secretary of the MOF in order to formally program the funds.

(3) Reporting: On a quarterly basis, the MOF (Economic Division/Public Debt Section/International Loan Monitoring Unit) will compile information on actual disbursement to the programmed budget account. This report would be forwarded to the Mission's ESF Project Officer within 60 days of the end of each fiscal quarter.

Following the end of the Jamaican Fiscal Year and the GOJ's own internal reconciliation of the year's expenditure figures, the MOF will transmit a copy of this report to USAID.

The MOF International Loan Monitoring Unit will transmit a transferral request to the Bank of Jamaica requesting that the amount identified in the Quarterly Report be transferred from the Special Account(s) to the GOJ's Consolidated Fund as reimbursement for GOJ expenditures as agreed to in the Project Implementation Letter. The MOF will transmit a copy of this request, along with copies of the monthly bank statements from the Bank of Jamaica for the Special Account(s) to the Mission ESF Project Officer.

IV. Trust Fund Agreement

Pursuant to Article 7 of the Agreement, it is further agreed that, of the Jamaican dollar funds to be deposited in a Special Account in the Bank of Jamaica by the Government, Twenty Million Jamaican Dollars (J\$20,000,000) will be made available to the USAID for the Trust Fund, which was established by the Trust Fund Agreement entered into by the Government and the USAID August 25, 1982. It is further agreed that these funds will be delivered by check to the Controller, USAID in four (4) equal installments on the first day of each calendar quarter of the Jamaican Government's fiscal year 1989/90 for use in accordance with the terms of the Trust Fund Agreement.

V. Implementation Letters

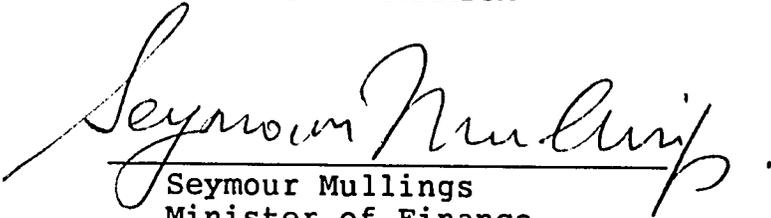
A.I.D. may issue Implementation Letters, from time to time, to provide further information and guidance and to assist the Government in implementation of the Agreement.

Signed and delivered as of the day and date written below, at Kingston, Jamaica,

by:

GOVERNMENT OF JAMAICA

UNITED STATES OF AMERICA



Seymour Mullings
Minister of Finance
and Public Service



William Joslin
Director,
United States A.I.D.
Mission to Jamaica

MAR 09 1989

Date