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A.I.D. Loan Number 532-K-017

Project Number 532-0089

LOAN AGREEMENT
BETWEEN
THE GOVERNMENT OF JAMAICA
AND
THE GOVERNMENT OF THE UNITED STATES OF AMERICA
ACTING THROUGH
THE AGENCY FOR INTERNATIONAL DEVELOPMENT
FOR
PRODUCTION AND EMPLOYMENT II LOAN

DATE: December 29, 1981

Table of Contents

	<u>Page</u>
Section 1. The Loan	1
Section 1.A. The Loan	1
Section 1.B. Interest	1
Section 1.C. Repayment	1
Section 1.D. Application, Currency, and Place of Payment	1
Section 1.E. Prepayment	2
Section 1.F. Renegotiation of Terms	2
Section 1.G. Termination on Full Payment	2
Section 2. Conditions Precedent to Disbursement	2
Section 2.A. First Disbursement	2
Section 2.B. Subsequent Disbursement	3
Section 3. Notification	3
Section 4. Terminal Dates for Conditions Precedent	3
Section 4.A. First Disbursement	3
Section 4.B. Subsequent Disbursement	3
Section 5. Disbursement	3
Section 6. Terminal Date for Requesting Disbursement	4
Section 7. Use of Local Currency	4
Section 8. Taxation	4
Section 9. Use of Funds	4
Section 9.A. Ineligible Procurement	4
Section 9.B. U.S. Imports	4
Section 9.C. Imports Reports	4
Section 10. Records	5
Section 11. Termination; Remedies	5
Section 11.A. Cancellation by Borrower	5
Section 11.B. Events of Default; Acceleration	5
Section 11.C. Suspension	5
Section 11.D. Cancellation by A.I.D.	6
Section 11.E. Continued Effectiveness of Agreement	6
Section 11.F. Nonwaiver of Remedies	6
Section 12. Communications	6
Section 13. Representatives	6

PRODUCTION AND EMPLOYMENT II

LOAN AGREEMENT

BETWEEN THE

GOVERNMENT OF JAMAICA

AND THE

UNITED STATES OF AMERICA

By this Agreement made and entered into on the 29th day of December, 1981, the Government of Jamaica (hereinafter referred to as the "Borrower") and the United States of America, acting through the Agency for International Development (hereinafter referred to as "A.I.D."), hereby agree as follows:

Section 1. The Loan

A. The Loan. For the purposes of providing immediate balance of payments support to the Borrower and to stimulate production, exports and employment in Jamaica, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to lend the Borrower under the terms of this Agreement not to exceed Thirty-eight Million United States ("U.S.") Dollars (\$38,000,000) ("Loan"). The aggregate amount of disbursements under the Loan shall be referred to herein as "Principal."

B. Interest. The Borrower will pay to A.I.D. interest which will accrue at the rate of two percent (2%) per annum for ten (10) 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 5 hereof) of each respective disbursement, and will be payable semi-annually. The first payment of interest will be due and payable no later than six (6) months after the first disbursement hereunder, on a date to be specified by A.I.D.

C. 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-one (21) approximately equal semi-annual installments of Principal and interest. The first installment of Principal will be payable nine and one-half (9½) years after the date on which the first interest payment is due in accordance with Subsection B. A.I.D. will provide the Borrower with an amortization schedule in accordance with this Subsection after the final disbursement under the Loan.

D. 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, Washington, D.C. 20523, U.S.A., and will be deemed made when received by the Office of Financial Management.

E. Prepayment. Upon payment of all interest and any refunds then due, the Borrower may prepay, 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.

F. Renegotiation of Terms.

(i) 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.

(ii) Any request by either party to the other to so negotiate will be made pursuant to Section 12, and will give the name and address of the person or persons who will represent the requesting party in such negotiations.

(iii) Within thirty (30) days after delivery of a request to negotiate, the requested party will communicate to the other, pursuant to Section 12, the name and address of the person or persons who will represent the requested party in such negotiations.

(iv) 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 clause (iii). 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 Finance in Jamaica.

G. Termination on Full Payment. Upon payment in full of the Principal and accrued interest, this Agreement and all obligations of the Borrower and A.I.D. under it will cease.

Section 2. Conditions Precedent to Disbursement.

A. 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 Borrower will, except as A.I.D. may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

(i) an opinion of the Attorney General of the Borrower, or other counsel satisfactory 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;

(ii) a statement of the name or names of the persons holding or acting in the office of the Borrower specified in Section 13, and a specimen signature of each person specified in such statement; and

(iii) all reports due to A.I.D. at that time in accordance with the terms and conditions of the first Production and Employment Loan (No. 532-K-014) and a report relating to the U.S. goods and services imported thereunder.

B. Subsequent Disbursement. Prior to disbursement under this Agreement, or to the issuance of documentation pursuant to which disbursement will be made, in excess of \$5,000,000, the Borrower will, except as A.I.D. may otherwise agree in writing, furnish or cause to be furnished to A.I.D., in form and substance satisfactory to A.I.D., evidence that:

(i) the Borrower is substantially meeting conditions contained in its agreement with the International Monetary Fund ("IMF"); and

(ii) the Borrower and the International Bank for Reconstruction and Development ("IBRD") have reached substantial agreement with respect to the proposed Structural Adjustment Loan.

Section 3. Notification. When A.I.D. has determined that the conditions precedent specified in Section 2 have been met, it will promptly notify the Borrower.

Section 4. Terminal Dates for Conditions Precedent.

A. First Disbursement. If the conditions specified in Section 2.A. have not been met within sixty (60) days from the date this Agreement is made and entered into, or such later date as A.I.D. may agree in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Borrower.

B. Subsequent Disbursement. If the conditions specified in Section 2.B. have not been met within ninety (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 cancel the then undisbursed balance of the Loan, 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 Borrower and A.I.D. will terminate.

Section 5. Disbursement. Disbursement of the Loan funds made available under this Agreement will be made in two installments pursuant to requests for disbursement by the Borrower and subsequent to satisfaction of the Conditions Precedent to disbursement under Section 2. Each request for

disbursement will be submitted to the Mission Director, USAID Mission to Jamaica, in a form and in substance satisfactory to A.I.D. In accordance with each request for disbursement, A.I.D. will deposit the funds into an account of the Borrower at a United States bank in the United States designated by the Borrower.

Section 6. Terminal Date for Requesting Disbursement. The terminal date for requesting disbursements of Loan funds will be six (6) months from the date this Agreement was made and entered into, except as A.I.D. may otherwise agree in writing.

Section 7. Use of Local Currency. The Borrower agrees that currency of Jamaica equivalent in amount to the United States dollar disbursements hereunder shall be allocated to finance the local currency cost of development programs in Jamaica. The highest rate of exchange which is not unlawful in Jamaica on the date of dollar disbursements shall be used in determining the total amount required to be so allocated. Allocation of these funds will be as agreed upon by the Borrower and A.I.D. The Borrower will submit to A.I.D. Quarterly Activity Status Reports which will show actual disbursements by activity.

Section 8. Taxation. This Agreement and the amount to be loaned hereunder shall be free from any taxation or fees imposed under any laws in effect within Jamaica.

Section 9. Use of Funds.

A. Ineligible Procurement. The United States Dollar funds provided hereunder shall be available as free foreign exchange assets of the Borrower. However, the Borrower agrees that such funds shall not be used to finance military requirements of any kind including the procurement of commodities or services for military purposes and shall not be used to finance luxury items, food or pesticides which are not registered by the U.S. Environmental Protection Agency without restriction.

B. U.S. Imports. The Borrower agrees that within twelve (12) months of the date of each disbursement by A.I.D. of U.S. Dollar funds under this Agreement, the Borrower shall import or cause to be imported into Jamaica goods and/or services from the United States in an amount at least equivalent to the amount of each such disbursement. Documentation evidencing imports attributed to the funds provided under this Agreement 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 10 hereof.

C. Imports Reports. The Borrower agrees that within fifteen (15) months of the date of each disbursement by A.I.D. of U.S. dollar funds under this Agreement, the Borrower will submit to A.I.D. a list of the goods and/or

services against which the Borrower attributed the United States Dollar loan proceeds pursuant to Section 9.B.

Section 10. Records. The Borrower agrees to maintain financial records relating to the utilization of U.S. Dollar funds loaned by A.I.D. under this Agreement, and to local currency funds allocated pursuant to this Agreement, by use of the Borrower'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 11. Termination; Remedies.

A. Cancellation by Borrower. The Borrower may, by giving A.I.D. thirty (30) days written notice, cancel any part of the Loan which has not been disbursed.

B. Events of Default; Acceleration. It will be an "Event of Default" if Borrower shall have failed:

(i) to pay when due any interest or installment of Principal required under this Agreement; or

(ii) to comply with any other provision of this Agreement; or

(iii) 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, such unrepaid Principal and accrued interest hereunder will be due and payable immediately.

Suspension. If at any time:

(i) an Event of Default has occurred; or

(ii) 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

(iii) any disbursement by A.I.D. would be in violation of the legislation governing A.I.D.; or

(iv) 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 decline to make any disbursements under this Agreement.

D. Cancellation by A.I.D. If, within sixty (60) days from the date of any suspension of disbursements pursuant to Section 11.C., the cause or causes thereof have not been corrected, A.I.D. may cancel any part of the Loan that is not then disbursed.

E. 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.

F. 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.

Section 12. 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 the Borrower:

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

To A.I.D.:

USAID Mission to Jamaica
American Embassy Kingston
Kingston, Jamaica

Section 13. Representatives. For all purposes relevant to this Agreement, the Borrower 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 the Mission Director, USAID Mission to Jamaica, each of whom, by written notice, may designate additional representatives. 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.

IN WITNESS WHEREOF, the Government of Jamaica 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

By: [Signature]
Title: Minister of Finance

UNITED STATES OF AMERICA

By: [Signature] 12/29
Title: Assistant Secretary of State

By: [Signature]
Title: Ambassador

By: [Signature]
Acting Director USAID
Title: Mission to Jamaica