

AMENDMENT NO. 8
TO THE
PROJECT LOAN AND GRANT AGREEMENT
BETWEEN
THE GOVERNMENT OF JAMAICA
AND THE
UNITED STATES OF AMERICA
FOR
THE CROP DIVERSIFICATION/IRRIGATION PROJECT

Date: July 6, 1990
Appropriation: 72-1101021
Budget Plan Code: LDNA90-25532-KG13
Amount: \$828,000

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PROJECT LOAN AND GRANT AGREEMENT

AMENDMENT NO. 8

AMENDMENT Number 8 between the UNITED STATES OF AMERICA, acting through the Agency for International Development ("A.I.D.") and the Government of Jamaica:

The Government of Jamaica and A.I.D. entered into a Project Loan and Grant Agreement, dated September 25, 1985, ("Agreement"), which was amended on November 29, 1985, April 22, 1986, January 13, 1987, September 30, 1987, August 31, 1988 September 30, 1988, and June 28, 1989.

The Government of Jamaica and A.I.D. now desire to amend the Agreement to reflect the obligation of an additional US\$828,000 in grant funds.

The parties agree that the Agreement shall be further amended to read as follows:

Section 1. Section 3.1. The Grant; The Loan is deleted in its entirety and replaced by the following:

"Section 3.1. The Loan; The Grant. To assist the Cooperating Country to meet the costs of carrying out the Project, A.I.D., pursuant to the Foreign Assistance Act of 1961, as amended, agrees to grant to the Cooperating Country under the terms of this Agreement an amount not to exceed Ten Million Seven Hundred and Thirty-Three Thousand Five Hundred United States Dollars (\$10,733,500) ("Grant") and to lend the Government of Jamaica under the terms of this Agreement an amount not to exceed Eight Million and Ninety-Four Thousand Five Hundred United States Dollars (\$8,094,500) ("Loan"). The aggregate amount of disbursements under the Loan is referred to as "Principal". The Loan and Grant together are referred to as the "Assistance".

"The Assistance may be used to finance foreign exchange costs, as defined in Sections 7.1. and 7.2., and local currency costs as defined in Section 7.3., of goods and services required for the Project."

Section 2: Section 3.3.(a) Project Assistance Completion Date is deleted in its entirety and replaced by the following:

"(a) The "Project Assistance Completion Date" (PACD) which is September 30, 1993, 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 Assistance will have been performed and all goods financed under the Assistance will have been furnished for the Project as contemplated in this Agreement."

Section 3: Section 5.1.: Conditions Precedent to Disbursement:

Prior to the initial disbursement of funds provided under this Amendment, the Cooperating Country will deposit in a special account, set up by the NIC, the sum of J\$5,200,000 to cover the costs of the infrastructure financed under the CD/I Project within the areas that have been withdrawn from the project for housing development, except as A.I.D. may agree otherwise in writing. These funds will be used by the NIC for additional activities within the CD/I Project to be determined by NIC in consultation with USAID.

Section 4 Section 6.5. Additional Special Covenants. The Cooperating Country agrees, as follows:

(1) That NIC will identify, recruit and hire a person for the new Managing Director position within six months after the signing of this Amendment;

(2) That NIC will employ a local engineer as an understudy and replacement for the expatriate Chief Engineer within six months after the signing of this Amendment; and

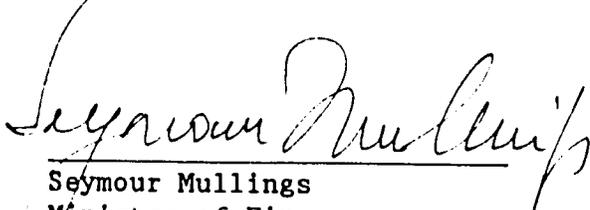
(3) That NIC will undertake a review of the feasibility of its objective of achieving long-term institutional and financial sustainability within one year after the signing of this Amendment. Some of the costs for this activity may be financed under the Short Term Technical Assistance component of the Project.

Section 5. Annex 1, "Amplified Project Description," shall be amended by the addition of a revised "Illustrative Cost Summary" appended hereto as Attachment 1 and by the addition of an "Annex I Supplement," appended hereto as Attachment 2.

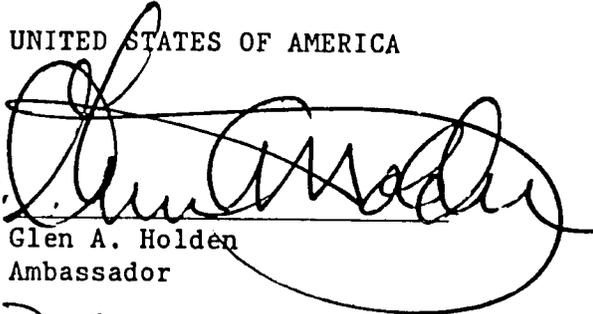
Except as amended herein, the Agreement, as amended, remains in effect.

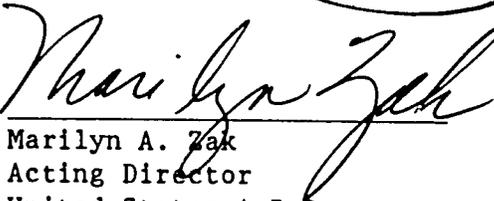
IN WITNESS WHEREOF, the GOVERNMENT OF JAMAICA and the UNITED STATES OF AMERICA, each acting through its respective duly authorized representative, have caused this Amendment to be signed in their names and delivered as of the day and date below written:

GOVERNMENT OF JAMAICA


Seymour Mullings
Minister of Finance

UNITED STATES OF AMERICA


Glen A. Holden
Ambassador


Marilyn A. Zak
Acting Director
United States A.I.D.
Mission to Jamaica

Date: July 6, 1990

ANNEX 1 SUPPLEMENT

I. INTRODUCTION

The original Crop Diversification/Irrigation (CD/I) Project, authorized on September 25, 1985, was a result of the Government of Jamaica's (GOJ) efforts to revitalize the agricultural sector. The original focus of the Project on strengthening Agro 21, the Government of Jamaica's (GOJ) lead institution for achieving more intensive land utilization, crop diversification, adoption of improved technology and the attraction of new investment capital in agricultural production and marketing. Agro 21 is to be phased out on or about September 30, 1990. The Project has been amended to continue support to infrastructure rehabilitation in the Project site, the National Irrigation Commission, small farmer water usage efficiency and land divestment activities.

The original project goal was to develop the agricultural sector to increase productivity, increase employment and enhance Jamaica's capability to earn and save foreign exchange. The project goal remains unchanged, as the activities to be financed under the PPS are essentially an extension of those currently being undertaken and are directly focused on enhancing productivity in the agricultural sector.

The original purpose of the project was to reinforce the institutional capacity of Agro 21 to develop private agricultural investment in Jamaica. With the phasing out of the organization, its functions have been transferred to other agencies. The project purpose thus requires restatement. The new project purpose is to strengthen the broader institutional capacity of the GOJ to support and develop private agricultural investment in Jamaica.

II. PROJECT SUPPLEMENT DESCRIPTION

This Project Agreement (PROAG) will continue assistance to the Crop Diversification/Irrigation Project under a Phase II by completing the irrigation system commenced under the project, providing limited Operation and Maintenance support to the National Irrigation Commission, working with small farmers in water usage efficiency, and financing transaction costs of lands to be divested. The first three activities were contained in the original project paper; the last activity--land divestment support--is a new component. Following is a description of each of the four project components.

A. Project Components

1. Small Infrastructure Rehabilitation - approx. \$1,218,000 (to finance costs of long term technical assistance, local short term technical assistance, construction and commodities).

Under this component, the project supplement will complete rehabilitation activities in Blocks A, B and E, some activities in small farmer areas and common infrastructure.

a. Infrastructure Rehabilitation in support of Divestment

Blocks A, B and E are prime lands currently targeted for divestment by the GOJ. Infrastructure construction and rehabilitation in these areas are laying the foundation for productive agricultural use on a total of some 2,900 acres of land.

i. Block A

The GOJ is currently divesting this 675 acre block in 40-50 acre parcels. The irrigation system is complete, however, leaks persist in some of the older sections of the system and need servicing and repair. Phase II will make repairs to the old existing pipeline and pumps in Block A and service pipes that have been idle for over 2 years.

ii. Block B

The rehabilitation activities in this 637 acre block were not completed or leased. The GOJ is now in the process of divesting these lands in 40-50 acre blocks to small and medium scale producers. The irrigation system is nearly completed. Wells and pipelines are installed and construction is now underway on the reservoir and pumping station. A canal must also be built to bring water into the reservoir. Phase II will construct the pipeline connecting the irrigation systems in Block A and Block B to ensure maximum efficiency and reliability.

iii. Block E

Planned as the original site of the Agro 21 experiment in divestment to foreign investors, this 1,597 acre block of land is in the process of being subdivided and leased to private investors by the GOJ. Rehabilitation of the irrigation system was temporarily suspended due to Agro 21's unsuccessful efforts to find investors. The irrigation system needs to be completed so that the lands may now be divested along the lines of Blocks A and B. Phase II will complete the irrigation system, allowing the GOJ to divest these lands to anyone who wants to grow crops.

In addition to the 3 blocks discussed above, the three year project extension will allow the completion of several ancillary irrigation systems:

b. Small Farmers

i. Spring Village

This system will serve the first small farmer area, about 500 acres included in the Agro 21 scheme. Agro 21 bought and installed a new well pump which more than doubled the capacity of the well, and built a canal pumping station. Phase II will add one pump to the canal pumping station and build a reservoir to provide reliable water for an additional 1,054 acres in Bushy Park.

ii. Turners Pen/Hartlands Canals

Phase II will construct Miles 3 and 4 of the Turners Pen canal and miles 5 and 6 of the Hartlands Canal to serve approximately 300 small and medium farmers in the Hartlands and Hillrun areas.

c. Common Infrastructur

i. Rio Cobre Dam

Phase II will construct a concrete cap on the Rio Cobre Dam. The cap will eliminate the existing temporary flash boards and will permanently raise the upstream water level about 3 feet, thus, reliably diverting more water through the headworks into the Main Canal with no recurring maintenance cost.

ii. Headworks

Phase II will construct trash racks on the sluice gates in the headwork. These racks will screen out river trash and prevent it from entering the Main Canal, thus, reducing maintenance requirements and costs.

Under this component, Project resources will be used to finance long term technical assistance, local short term technical assistance (architectural and engineering firm), construction, commodities and other costs.

2. Operation and Maintenance - approx. \$647,000 (to finance costs of local long term technical assistance)

Under this component, the Project will provide limited support for operations of NIC and maintenance of the irrigation system (e.g. canals, canal structures, pumps, test runs and spare parts) so that NIC would be able to deliver reliable water as it increased user fees to finance these expenses on an on-going basis. Under this component, 3 positions at NIC will be financed, with the GOJ picking up the costs for the remaining staff. The NIC is projected to collect in the coming year sufficient user fees to fully finance these costs at a level that provides reliable water service for the Rio Cobre system. As part of this transition to a totally user fee financed basis, some limited amount of commodity procurement, i.e. repair parts and equipment, will be financed.

C. Small Farmer Linkage - approx. \$25,000 (to finance costs of training)

This component will provide support for NIC and, to a certain extent, the Rural Agricultural Development Agency (RADA) in providing outreach extension and training to small and medium farmers in water usage and water usage efficiency. This latter point is particularly important for women farmers who show a reluctance to use irrigation, as noted in the Survey of Small Scale Farming in the Crop Diversification/Irrigation Project Area (October, 1989). This component, therefore, will ensure that women are encouraged--through training and other organized activities--to use both land and water resources more efficiently so that they are not inadvertently marginalized as a result of the project.

The project activities will cover two groups of farmers: those leasing divested lands in Blocks A, B and E; and those farmers elsewhere in the project site. Assistance will mainly entail training activities which will be modeled along the lines of the program developed by the Israeli technical assistance team in conjunction with the Jamaica Agriculture Society and NIC. This model has proved successful and easily adaptable. Also, this component will explore methods for strengthening water user associations with an eye towards encouraging them to become actively involved in both system maintenance and the dissemination of on farm water management technologies and practices.

D. Land Divestment Support - approx. \$50,000 (to finance transaction costs of land to be divested)

This activity is designed to support transactions costs (i.e. surveying, titling and registration) of lands to be divested in an effort to expedite leasing of the lands in the project site. This effort will provide support for the implementation of the GOJ/USAID policy initiative related to divestment of GOJ owned lands, and should serve as a model for future efforts in this area.

III. MODIFICATIONS TO COST ESTIMATE AND FINANCIAL PLAN

The revised cost of the Project, with the addition of \$2,000,000 in grant funds, is US\$20,000,000 (Grant \$11,905,500 and Loan \$8,094,500). A revised cost estimate and financial plan is attached. Within the original Project Agreement, the Government of Jamaica counterpart contribution was US\$6,000,000, which exceeded 25% of the total cost of the Project. This percentage does not take into consideration the value of the land donated as part of the GOJ's contribution to the Project. During original project development, the value of the land was estimated at US\$6,000,000. The GOJ's counterpart contribution, therefore, represents 46 percent of total Project costs.

TABLE 1: ILLUSTRATIVE FINANCIAL PLAN
(U.S. DOLLARS)

<u>Budget Element</u>	Prior Obligations		This Obligation Grant	Planned Subsequent Obligations	Total Planned Obligations	
	Grant	Loan			Grant	Loan
Long Term TA	\$2,557,351	\$1,360,702	\$ 302,000	\$ 302,000	\$3,161,351	\$1,360,702
Short Term TA	324,442	1,133,214	25,000	25,000	374,442	1,133,214
Commodities	692,000	182,870	25,000	25,000	742,000	182,870
Operations	621,833	146,500	100,000	111,000	832,833	146,500
Infrastructure Rehabilitation	4,218,658	5,041,214	366,000	634,000	5,218,658	5,041,214
Interim O&M Measures	293,110	-0-	-0-	-0-	293,110	-0-
Training	115,041	-0-	10,000	15,000	140,041	-0-
Special Project Fund	883,000	-0-	-0-	-0-	883,000	-0-
Evaluations/Audits	2,191	-0-	-0-	30,000	32,191	-0-
Contingency/Inflation	197,874	230,000	-0-	30,000	227,874	230,000
TOTAL	\$9,905,500	\$8,094,500	\$ 828,000	\$1,172,000	\$11,905,500	\$8,094,500

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