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**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5734-GD

Financing Agreement
(Second Programmatic Resilience Building Development Policy Credit)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *October 30*, 2015

FINANCING AGREEMENT

Agreement dated October 30, 2015, entered into between GRENADA ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, *inter alia*, of: (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (b) the Recipient's maintenance of an adequate macroeconomic policy framework. The Recipient and the Association therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to seven million two hundred thousand Special Drawing Rights (SDR 7,200,000) (variously, "Credit" and "Financing").
- 2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are March 15 and September 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07. The Payment Currency is U.S. Dollar.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end:
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this Section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
 - (b) An action has been taken or a policy has been adopted by the Recipient to reverse any action or policy under the Program including any action listed in Section I of Schedule 1 to this Agreement.
- 4.02. The Additional Event of Acceleration consists of the following:
- (a) Any event specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V— EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:
- (a) The Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework.

(b) The Loan Agreement has been executed and all conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.

5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is the Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance
Financial Complex
The Carenage
St. George's
GRENADA

Facsimile:
1-473-440-4115

6.03. The Association's Address is:

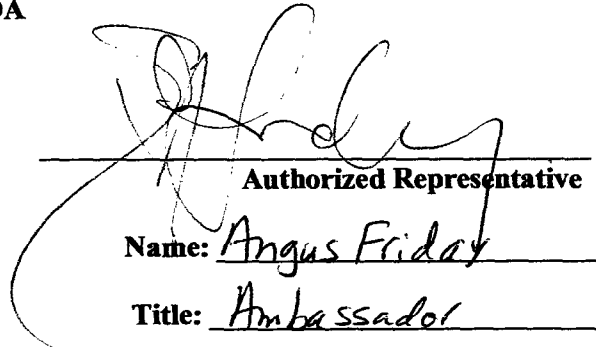
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INDEVAS Washington, D.C.	248423(MCI)	1-202-477-6391

AGREED at District of Columbia, United States of America, as of the day and year first above written.

GRENADA

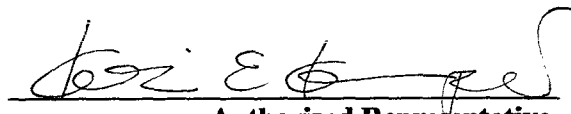
By



Authorized Representative
Name: Angus Friday
Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative
Name: Karin Kemper
Title: Acting Country Director

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

- A. **Actions Taken Under the Program.** The actions taken by the Recipient under the Program include the following:
1. The Recipient's Tourism Authority has instituted a new regulatory framework for the tourism sector in accordance with the Grenada Tourism Authority Act No. 42 of 2013, as evidenced by: (a) the Ministry of Tourism, Civil Aviation and Culture's letter dated May 13, 2015, confirming that the Cabinet has approved the "Licensing Fee Structure" in accordance with GTA Act 2013, through Cabinet conclusion No. 661 dated April 27, 2015; and (b) the Ministry of Tourism, Civil Aviation and Culture's letter dated August 17, 2015, confirming that the Cabinet has approved: (i) the "Declaration of Tourism Enterprise Order 2015"; (ii) the "Tourism and Beach Vending Regulations 2015"; and (iii) the "Grenada Tourism Authority (Accommodation and Tourism Enterprise) Regulations 2015"; through Cabinet conclusion No. 1182 dated July 27, 2015.
 2. The Recipient has commenced commercialization of selected state-owned estates by entering into two commercial agreements with private entities, dated September 11, 2014 and November 4, 2014, respectively, each for the commercial use of state-owned agricultural estates in the agribusiness sector.
 3. The Recipient's Cabinet has approved a strategic plan to strengthen tourism and agribusiness linkages by transforming the Recipient's Marketing and National Importing Board (MNIB) into a service provider of information on markets, product quality and standards, as evidenced by the Ministry of Finance and Energy's letter dated December 10, 2014, confirming that the Cabinet has approved the "MNIB Strategic Plan" through Cabinet conclusion No. 1762 dated Nov 24, 2014.
 4. The Recipient's Cabinet has approved a policy framework with clear guiding principles and processes for identifying public private partnerships (PPPs) and set out institutional responsibilities for developing a PPP pipeline and implementing PPP projects, as evidenced by the Ministry of Finance and Energy's Memorandum dated March 18, 2015, confirming that the Cabinet has approved the "PPP Policy Framework" through Cabinet conclusion No. 348, dated March 2, 2015.
 5. The Recipient's Parliament has enacted the Public Procurement and Disposal of Public Property Act No. 39 of 2014, as published in the Recipient's Government Gazette, dated September 26, 2014, consistent with international best practices.

6. The Recipient's Cabinet has approved a phase out plan to improve the targeting of beneficiaries of the Support for Education, Empowerment, and Development (SEED) program, as evidenced by the Ministry of Finance and Energy's letter dated August 17, 2015, confirming that the Cabinet has approved the "Phase-Out Plan for the beneficiaries of the SEED Programme" through Cabinet conclusion No. 1254 dated August 4, 2015.
7. The Recipient's Parliament has enacted the Banking Act No. 20 of 2015 as published in the Recipient's Government Gazette on July 17, 2015, to strengthen bank regulation, supervision and resolution.

Section II. Availability of Financing Proceeds

- A. **General.** The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.
- B. **Allocation of Financing Amounts.** The Financing is allocated in a single withdrawal tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below:

<u>Allocations</u>	<u>Amount of the Financing Allocated (expressed in SDR)</u>
(1) Single Withdrawal Tranche	7,200,000
TOTAL AMOUNT	7,200,000

C. Withdrawal Tranche Release Conditions

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.
- E. Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.
- F. Closing Date.** The Closing Date is November 30, 2016.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing March 15, 2026 to and including September 15, 2035	1%
commencing March 15, 2036 to and including September 15, 2055	2%

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03(b) of the General Conditions.

APPENDIX

Section I. Definitions

1. "Excluded Expenditure" means any expenditure:
 - (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
 - (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

Group	Sub-group	Description of Item
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
 - (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
 - (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
 - (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.
2. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010, with the modifications set forth in Section II of this Appendix.
 3. "Loan Agreement" means the Loan Agreement between the International Bank for Reconstruction and Development and the Recipient in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time, and including all appendices, schedules and agreements supplemental to the Loan Agreement.
 4. "Marketing and National Importing Board" or "MNIB" means the Recipient's marketing and national importing board established pursuant to the Marketing and National Importing Board Act, Chapter 183 of the Laws of Grenada.
 5. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated September 14, 2015, from the Recipient to the Association, declaring the Recipient's commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.
 6. "Single Withdrawal Tranche" means the amount of the Financing allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

7. "Support for Education, Empowerment and Development" or "SEED" means the Recipient's program for reducing poverty and increasing investment in human capital among the poor and vulnerable in Grenada.
8. "Tourism Authority" means the Recipient's tourism authority, established pursuant to the Grenada Tourism Authority Act No. 42 of 2013.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.
2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the subsequent Sections in Article II are renumbered accordingly.
3. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.
4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.
5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. *Plans; Documents; Records*

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

6. Paragraph (c) of Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. *Program Monitoring and Evaluation*

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association

of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows:

“‘Eligible Expenditure’ means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.

- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows:

“‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.