

**OFFICIAL
DOCUMENTS**

CREDIT NUMBER 5934-GD

Financing Agreement
(Third Programmatic Resilience Building Development Policy Credit)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 19, 2016

FINANCING AGREEMENT

Agreement dated December 19, 2016, 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 six million eight hundred thousand Special Drawing Rights (SDR 6,800,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Dollar.

- 2.08. Without limitation upon the provisions of Section 4.08 of the General Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement and relating to *Cooperation and Consultation*), the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 4.08 of the General Conditions:
- (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, namely that 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, namely, that 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.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.03. For purposes of Section 8.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its 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:

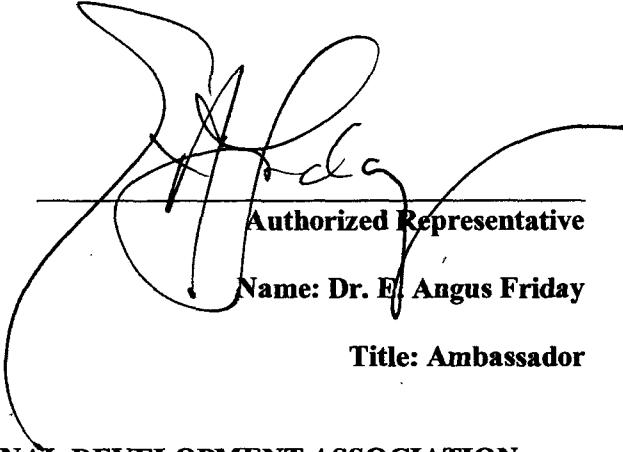
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

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

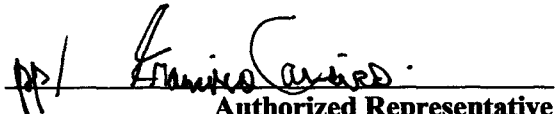
By



Authorized Representative
Name: Dr. E. Angus Friday
Title: Ambassador

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative
Name: Sabine Hader
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 has advanced the commercialization of selected state-owned estates by signing two agribusiness lease agreements with separate private entities for a duration of at least twenty years, as evidenced by the signed lease agreements dated August 12, 2016 for Belle Vue Estate and September 30, 2016 for Limlair Fruit Farm Estate.
 2. The Recipient has established standards for food quality and prevention of food safety risks, as evidenced by the Food Safety Act (Act 19.455) published in the Recipient's Government Gazette on July 3, 2015.
 3. The Recipient, through its Ministry of Finance, has: (a) connected the Bureau of Standards to ASYCUDA World in order to process trade transactions; and (b) provided the Inland Revenue Department and the Central Office of Statistics with statistical data access through ASYCUDA World, as evidenced by the Recipient's Ministry of Finance's Letter No. MF 75-09, dated October 17, 2016.
 4. The Recipient, through its Ministry of Finance, has established a PPP unit in said Ministry, as evidenced by a letter from the Recipient's Ministry of Finance No. MF75-09, dated July 15, 2016, and the Recipient's Cabinet Conclusion No. 856, dated June 13, 2016.
 5. (a) The Recipient has established a national independent energy regulator; and (b) the Recipient, through its Cabinet, has endorsed the participation of its Ministry of Finance in the Eastern Caribbean Energy Regulatory Agency, as evidenced by: (i) the "Public Utilities Regulatory Commission Act." (Act 20) published in the Recipient's Government Gazette on July 15, 2016; and (ii) the Recipient's Cabinet Conclusion No. 1083, dated July 18, 2016.
 6. The Recipient, through its Ministry of Education, has: (a) established computerized personnel records for teachers and ministry personnel; and (b) produced a report of personnel records to increase monitoring, reporting and analysis of human-resource management, as evidenced by a letter from the Recipient's Ministry of Finance No. MF75-09, dated July 28, 2016.

7. The Recipient, through its Ministry of Finance, has: (a) appointed the Chief Procurement Officer; and (b) fully staffed and operationalized: (i) the Public Procurement Board; (ii) the Public Procurement Review Commission; and (iii) the Public Procurement Disposal Committee, as evidenced by the Recipient's Cabinet Conclusion No. 734, dated May 23, 2016, the Recipient's Ministry of Finance's Letters No. PFL-120, dated July 18, 2016 and No. MF 75-09, dated November 3, 2016.
8. The Recipient, through its Ministry of Social Development and Housing, has institutionalized the implementation of a phase-out plan for the SEED Program by notifying all ineligible beneficiary households of their status, and completing the transitioning out of the program of the first two of the three identified beneficiary groups (which represent at least 70% of total beneficiary households identified in the phase-out plan as ineligible and non-vulnerable), as evidenced by a letter from the Recipient's Ministry of Finance No. MF75-09, dated September 28, 2016.
9. The Recipient has approved the MTDS for 2016-2018, as evidenced by the Recipient's Cabinet Conclusion No. 935, dated June 27, 2016.
10. The Recipient has strengthened the physical planning legal framework of the construction sector, through the enactment of: (a) the Physical Planning and Development Control Act (Act 23); and (b) the Grenada Building Code Act, both published in the Recipient's Government Gazette on July 26, 2016.

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	6,800,000
TOTAL AMOUNT	6,800,000

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, 2017.

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, 2027 to and including September 15, 2036	1%
commencing March 15, 2037 to and including September 15, 2056	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. "ASYCUDA World" means the automated system for customs data software used by the Recipient.
2. "Bureau of Standards" means the Recipient's statutory body in charge of preparing and promoting standards for all goods, services, practices and processes in the Recipient's territory, as established and operating under the Recipient's Standards Act N0.6 of 1989.
3. "Central Office of Statistics" means the Recipient's division under its Ministry of Finance mandated to collect, compile, analyze, abstract and publish statistical information relating to social, agricultural, economic, commercial, industrial and general activities and conditions of the inhabitants of the Recipient, as established and operating under the Recipient's Act No. 30 of 1960.
4. "Eastern Caribbean Energy Regulatory Agency" means a supra-national regional regulatory organization, established in 2016, to operationalize a regional approach to the development of the electricity sector in the OECS countries.
5. "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

Group	Sub-group	Description of Item
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.
6. "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.
7. "Government Gazette" means the official gazette of the Recipient.
8. "Inland Revenue Department" means a division within the Recipient's Ministry of Finance responsible for the administration of Inland Revenue laws and the collection of a wide range of taxes and licenses, as established and operating under the Recipient's Inland Revenue Act No. 14 of 2016.
9. "MTDS" means the Recipient's Medium-Term Debt Strategy dated June 27, 2016, as revised on September 16, 2016.

10. "OECS" means Organisation of Eastern Caribbean States, an inter-governmental regional organization dedicated to economic harmonization and integration, protection of human and legal rights and the encouragement of good governance between countries and dependencies in the Eastern Caribbean, established and operating under the 1981 Treaty of Basseterre, as revised in 2010.
11. "PPP" means public/private partnerships.
12. "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 November 10, 2016, 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.
13. "Public Procurement Board" means the Recipient's body in charge of issuing and reviewing procedures in relation to public procurement and the disposal of public property, as established and operating in accordance with the Recipient's Act No. 39 of 2014.
14. "Public Procurement Disposal Committee" means the Recipient's committee in charge of recommending the best method of disposing unserviceable, obsolete or surplus stores or equipment, as established and operating in accordance with the Recipient's Act No. 39 of 2014.
15. "Public Procurement Review Commission" means the Recipient's commission in charge of resolving disputes that may arise in relation to procurement decisions, as established and operating in accordance with the Recipient's Act No. 39 of 2014.
16. "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.
17. "SEED Program" means Support for Education, Empowerment and Development, the Recipient's safety net program aimed at reducing poverty and increasing investment in human capital among the poor and vulnerable, as established and operating under the Recipient's annual budget law (Appropriation Act).

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. Section 3.02 is modified to read as follows:
“Section 3.02. *Service Charge*

(a) The Recipient shall pay the Association a service charge on the Withdrawn Credit Balance at the rate specified in the Financing Agreement. The Service Charge shall accrue from the respective dates on which amounts of the Credit are withdrawn and shall be payable semi-annually in arrears on each Payment Date. Service Charges shall be computed on the basis of a 360-day year of twelve 30-day months.”
4. 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.
5. 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.
6. 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.”
7. 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.”

8. 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 “Financing Payment” is modified by inserting the words “the Interest Charge” between the words “the Service Charge” and “the Commitment Charge”.
 - (d) The term “Payment Date” is modified by inserting the words “Interest Charges” between the words “Service Charges” and “Commitment Charges”.
 - (e) 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”.
 - (f) The term “Service Charge” is modified by replacing the reference to Section 3.02 with Section 3.02 (a).