Financing Agreement

(Second Fiscal Resilience and Blue Growth Development Policy Financing)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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: (i) 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 (ii) 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) apply to and form 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 a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of twenty million Dollars ($20,000,000) (variously, “Credit” and “Financing”).

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.04. The Payment Dates are February 15 and August 15 in each year.

2.05. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.
2.06. The Payment Currency is Dollar.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, 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 5.05 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 I 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 sixty (60) days after notice of the event has been given by the Association to the Recipient.
ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists 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 Signature Date.

5.03. For purposes of Section 10.05 (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 Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance, Planning, Economic and Physical Development.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance, Planning, Economic and Physical Development
Financial Complex
The Carenage
St. George’s
Grenada; and

(b) the Recipient’s Electronic Address is:

Facsimile: 1-473-440-4115
E-mail: psfinancegrenada@gmail.com

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and
(b) the Association’s Electronic Address is:

Telex: 248423 (MCI)  
Facsimile: 1-202-477-6391  
E-mail: tsayed@worldbank.org

AGREED as of the Signature Date.

GRENADA

By

Authorized Representative

Name: Yolande Y. Smith
Title: Ambassador of Grenada
Date: January 7, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: Abha Prasad
Title: Acting Director, Caribbean Country Management Unit, Latin America and Caribbean Region
Date: January 7, 2020
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient has approved amendments to the NTF Regulations to: (a) define the use criteria for the Contingency Fund; and (b) establish its governance framework, including its reporting and public accountability mechanisms, as evidenced by the National Transformation Fund (Amendment) Regulations, 2019 published in the Recipient’s Government Gazette No. 47, Volume 137 of October 31, 2019.

2. The Recipient has adopted the Public Sector Wage Negotiation Policy to operationalize the Compensation Management Policy Framework in alignment with its national budget process and the Fiscal Responsibility Act, as evidenced by Cabinet Conclusion No. 856 dated June 17, 2019.

3. The Recipient has established collaboration between the Customs and Excise Division and the Inland Revenue Division with a view towards applying a risk-based approach to conduct post clearance audits, as evidenced by Cabinet Conclusion No. 1028 dated July 29, 2019.

4. The Recipient has: (a) approved the publication of SOE’s aggregate annual financial information to enhance the fiscal transparency and accountability of SOEs; and (b) adopted a fiscal risk framework for quantifying contingent liabilities in SOEs to inform its annual fiscal risk statement, as evidenced by: (i) Cabinet Conclusion No. 721, dated May 27, 2019; and (ii) Cabinet Conclusion No. 695 dated May 27, 2019.

5. The Recipient has enacted the Integrated Coastal Zone Management Act to regulate the integrated use, development, and protection of the coastal zone; as evidenced by the Recipient’s Act No. 8 of 2019 dated August 22, 2019 and published in the Recipient’s Government Gazette on August 23, 2019 (No 36, Volume 137).

6. The Recipient, through the GSDTF, has entered into a partnership agreement with the Caribbean Biodiversity Fund to strengthen the funding arrangements for blue economy initiatives (environmental management, ecosystems conservation and climate resilience), as evidenced by the Partnership Agreement between the GSDTF and the CBF signed on June 17, 2019.

8. The Recipient has adopted a policy framework on sustainable public procurement introducing environmental sustainability requirements for public procurement contracts, as evidenced by Cabinet Conclusion No. 985, dated July 22, 2019.

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 proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>20,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>20,000,000</td>
</tr>
</tbody>
</table>

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. Deposit of Financing Amounts.

The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Eastern Caribbean Dollars (XCD) equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’s budget management systems; and (d) the
statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. **Audit.** Upon the Association's request, the Recipient shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than six months after the date of the Association's request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and

3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

F. **Closing Date.** The Closing Date is December 31, 2020.
SCHEDULE 2

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing February 15, 2030 to and including August 15, 2039</td>
<td>1%</td>
</tr>
<tr>
<td>commencing February 15, 2040 to and including August 15, 2059</td>
<td>2%</td>
</tr>
</tbody>
</table>

* 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 3.05 (b) of the General Conditions.
APPENDIX

Definitions

1. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

2. “Caribbean Biodiversity Fund” or “CBF” means a company created under the Companies Act 2006 of the United Kingdom, with registration number 8204716.


4. “Contingency Fund” means an account in the NTF established pursuant to regulation 11 of the NTF Regulations.

5. “Customs and Excise Division” means the Recipient’s division in charge of customs and excise under its MoF or any successor thereto acceptable to the Association.


8. “Grenada Sustainable Development Trust Fund” or “GSDTF” means the non-profit company established and operating under its by-laws enacted on November 13, 2018 under the Recipient’s Companies Act Cap. 58A of the 2010 Continued Revised Laws of Grenada.

9. “Inland Revenue Division” means the Recipient’s division in charge of inland revenue under its MoF or any successor thereto acceptable to the Association.


12. "National Transformation Fund" or "NTF" means the Recipient’s fund established under Part II, regulation 3 of the NTF Regulations.

13. "NTF Regulations" means the Recipient’s Statutory Rules and Orders No. 42 of 2015, published in the Recipient’s Government Gazette on November 6, 2015, as amended to the date of this Agreement.

14. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 24, 2019 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 and comprising actions taken, including those set forth in Section I of Schedule I to this Agreement, and actions to be taken consistent with the program’s objectives.


16. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

17. "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 I to this Agreement.

18. "SOEs" means the Recipient’s state-owned enterprises.