

CREDIT NUMBER 7385-GD

Financing Agreement

**(Grenada Second Recovery and Resilience Programmatic
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 thirty million Dollars (\$30,000,000) (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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.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 June 15 and December 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 US 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 prior 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: 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 responsible for finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:

(a) the Recipient's address is:

Ministry of Finance
Financial Complex
The Carenage
St. George's, Grenada; and

(b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
473-440-4115/6	ps@mof.gov.gd

- 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:	Facsimile:
248423 (MCI)	1-202-477-6391

AGREED as of the Signature Date.

GRENADA

By

Cornwall

Authorized Representative

Name: Hon. Dennis Cornwall
Title: 27 July 2023 - Minister of Finance
Date: 27-Jul-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Lilia Burunciuc

Authorized Representative

Name: Lilia Burunciuc
Title: Country Director
Date: 27-Jul-2023

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 enacted the Disaster Management Act, which develops, promotes, and implements a disaster reduction and management approach to enhance disaster and climate resilience, as evidenced by the Recipient's Act No. 2 of 2023, published in the Government Gazette No. 23, of May 10, 2023.
2. The Recipient has approved the Generation Code of Grenada Grid Code, which establishes the requirements for economic least-cost dispatch and operation of private renewable generation to ensure system reliability and maximize the reduction in thermal generation mitigating climate change, as evidenced by a letter from the Recipient's Secretary to Cabinet dated May 10, 2023, citing Cabinet Conclusion No. 282 dated May 8, 2023.
3. The Recipient has approved the updated National Energy Policy, which increases the renewable energy and energy efficiency targets to reduce greenhouse gas (GHG) emissions and mitigate climate change, as evidenced by a letter from the Recipient's Permanent Secretary of the Ministry of Climate Resilience, the Environment & Renewable Energy, dated April 25, 2023, citing Cabinet Conclusion No. 235 dated April 11, 2023.
4. The Recipient has enacted an amendment to the Environmental Levy Act, which: (a) restores a tax of EC\$5 on electricity consumption for 100 - 150 kWh and EC\$10 for Over 150 kWh; and (b) sets a tax of EC\$5 on water consumption for 2,801 - 5,500 gallons and EC\$10 for Over 5,500 gallons, to mitigate climate change impacts and reduce energy and resource consumption, as evidenced by the Recipient's Statutory Rules and Orders No. 5 of 2023, published in the Government Gazette No. 6, of January 27, 2023.
5. The Recipient has enacted an amendment to the Excise Tax Act, which: (a) increases the excise tax on alcohol from EC\$1.10/EC\$4.40 per liter to EC\$1.50/EC\$5.00 per liter and cigarettes from 105% to 200%; and (b) increases the value added tax on sweetened beverages from 15% to 20%, to strengthen fiscal sustainability and promote public health, as evidenced by the Recipient's Statutory Rules and Orders No. 3 and No. 12 of 2023, published in the Government Gazette No. 6 of January 27, 2023, and No. 8 of February 28, 2023, respectively.

6. The Recipient has approved mandatory climate change budget tagging requirements to be abided by its Ministries for Agriculture, Infrastructure, and Climate Resilience, which categorize, measure, and monitor climate-relevant public expenditures to better identify and mobilize fiscal resources toward climate resilience building, as evidenced by the Recipient's MOF Finance Circular No. 7/2022, dated September 9, 2022.
7. The Recipient has approved mandatory gender statements requirements to be abided by all its ministries and departments, which includes the impacts of budget policy proposals on gender issues and priorities for the Recipient's annual budget to be gender-responsive and gender-sensitive, as evidenced by the Recipient's MOF Finance Circular No. 7/2022, dated September 9, 2022.
8. The Recipient has enacted amendments to: (a) the National Insurance (Collection of Contributions) (Amendment) Regulations and the National Insurance (Self-Employed Persons) (Amendment) Regulations, which increase the contribution of self-employed person rate by one (1) percent; and (b) the National Insurance (Unemployment Persons) Regulations which include a permanently funded Unemployment Insurance Programme to improve the Recipient's pension system sustainability and enhance workers' income protection mechanisms against shocks, including climate-induced natural hazards, as evidenced by the Recipient's Statutory Rules and Orders Nos. 8 and 9 and 18 of 2023, published in the Government Gazette No. 7, of January 30, 2023, and No. 19 of April 14, 2023, respectively.
9. The Recipient has approved the annual publication of the total of NTF flows, NTF-funded projects, and the balance of the Contingency Fund in the Recipient's annual budget on a yearly basis starting 2024 onwards to improve fiscal transparency and fiscal resilience, as evidenced by a letter from the Recipient's Secretary to Cabinet dated April 25, 2023, citing Cabinet Conclusion No. 188, dated March 13, 2023.

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:

Allocations	Amount of the Financing Allocated (expressed in USD)
(1) Single Withdrawal Tranche	30,000,000
TOTAL AMOUNT	30,000,000

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. 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 (6) 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, 2024.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each June 15 and December 15:	
Commencing December 15, 2033, to and including June 15, 2043	1%
Commencing December 15, 2043, to and including June 15, 2063	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 3.05 (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. “Contingency Fund” means an account in the NTF dedicated to post-disaster assistance.
3. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
4. “Ministry of Finance” or “MOF” means the Recipient’s ministry of finance or any successor thereto acceptable to the Association.
5. “NTF” means National Transformation Fund, a fund of the same name established under section 43(1)(a) of the Recipient’s Public Financial Management Act for the purpose of funding government-sponsored projects, including public-private partnerships.
6. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated May 24, 2023, 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 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
7. “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.
8. “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.
9. “XCD” means Eastern Caribbean Dollars.