

CONFORMED COPY

CREDIT NUMBER 1817 DOM

(Structural Adjustment Credit)

between

COMMONWEALTH OF DOMINICA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 18, 1987

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 18, 1987, between the COMMONWEALTH OF DOMINICA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Association has received a letter dated April 20, 1987 from the Borrower describing a program of actions, objectives and policies designed to achieve structural adjustment of the Borrower's economy (hereinafter called the Program), declaring the Borrower's commitment to the execution of the Program, and requesting assistance from the Association in the financing of urgently needed imports required during such execution; and

(B) on the basis, inter alia, of the foregoing, the Association has decided in support of the Program to provide such assistance to the Borrower by making the Credit in three tranches as hereinafter provided;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1, 1985, with the modifications thereof set forth below (the General Conditions) constitute an integral part of this Agreement:

(a) Section 2.01, paragraph 9, shall be modified to read:

"'Project' means the imports and other activities that may be financed out of the proceeds of the Credit pursuant to the provisions of Schedule 1 to the Development Credit Agreement.";

(b) Section 9.06 (c) shall be modified to read:

"(c) Not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Borrower and the Association, the Borrower shall prepare and furnish to the Association a report, of such scope and in such detail as the Association shall reasonably request, on the execution of the Program referred to in the Preamble to the Development Credit Agreement, the performance by the Borrower and the Association of their respective obligations under the Development Credit Agreement and the accomplishment of the purposes of the Credit."; and

(c) the last sentence of Section 3.02 is deleted.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "SITC" means the United Nations Standard International Trade Classification, 1974 Revision (SITC, Rev. 2), published in Commodity Indexes for the Standard International Trade Classification, Revised, Statistical Papers, Series M, No. 38/Rev.2 (1981);

(b) "Special Account" means the account referred to in Section 2.02 (b) of this Agreement;

(c) "Tranche" means a portion of the Credit not exceeding the equivalent of SDR 800,000¹ to be made available by the Association to the Borrower on the Effective Date for the first Tranche and upon the adoption of the actions described in Schedule 3 to this Agreement for the second and third tranches; and

(d) "Fiscal Year" means the Borrower's fiscal year which begins on July 1 and ends on June 30.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to two million four hundred thousand Special Drawing Rights (SDR 2,400,000)²

1/ \$1 million equivalent

2/ \$3,000,000 equivalent.

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement.

(b) The Borrower shall, for the purposes of the Project, open and maintain in dollars a special account in the National Commercial Bank of Dominica on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 4 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 1989 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment and service charges shall be payable semiannually on January 15 and July 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each January 15 and July 15 commencing July 15, 1997, and ending January 15, 2037. Each installment to and including the installment payable on January 15, 2007 shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half per cent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Particular Covenants

Section 3.01. (a) The Borrower and the Association shall from time to time, at the request of either party, exchange views on the progress achieved in carrying out the Program and the actions specified in Schedule 3 to this Agreement.

(b) Not later than 15 days prior to each such exchange of views, the Borrower 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.

(c) The first such exchange of views shall take place not later than March 31, 1988, or such other date as the Borrower and the Association may otherwise agree.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 2 to

this Agreement.

Section 3.03. (a) The Borrower shall maintain or cause to be maintained separate records and accounts adequate to reflect in accordance with consistently maintained sound accounting practices the expenditures financed out of the proceeds of the Credit.

(b) The Borrower shall:

- (i) have the records and accounts referred to in paragraph (a) of this Section including those for the Special Account for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association as soon as available, but in any case not later than four months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning said records and accounts and the audit thereof as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the Association has received the audit report for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such records and accounts are included in the annual audits referred to in paragraph (b) of this Section and that the report of such audit contains a separate opinion by said auditors as to whether the statements of expenditure submitted during such fiscal year, together with the procedures and internal controls involved in their preparation, can be relied upon to support the related withdrawals.

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional events are specified:

(a) that an event has occurred which shall make it improbable that the Program, or a significant part thereof, will be carried out; and

(b) that the Borrower shall have failed to perform any obligation, including any obligation to make payment of principal or interest or any other payment due, under a contract with a third party that has assigned to the Bank or the Association, with the Borrower's acquiescence, such party's rights vis-a-vis the

Borrower in the contract in question.

Section 4.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely, that any event specified in paragraph (b) of Section 4.01 of this Agreement shall occur and shall continue for a period of 30 days after notice thereof shall have been given by the Association to the Borrower.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that the Borrower shall have agreed with the Association on the broad principles of the Borrower's tax reform proposal.

Section 5.02. The date September 18, 1987, is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. The Minister of the Borrower responsible for finance and planning is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Ministry of Finance and Planning
Government Headquarters
Roseau
Dominica

Cable address:

EXTERNAL
Dominica

Telex:

8613 EXT DO

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA) or
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America, as of the day and year first above written.

COMMONWEALTH OF DOMINICA

By /s/ Maria Eugenia Charles
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ S. Shahid Husain
Regional Vice President
Latin America and the Caribbean

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. Subject to the provisions set forth or referred to in this Schedule, the proceeds of the Credit may be withdrawn from the Credit Account for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of such proceeds.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of:

(a) expenditures for goods included in the following SITC groups or sub-groups:

Group	Sub-group	Description of Items
112	-	Alcoholic beverages
121	-	Tobacco, unmanufactured tobacco refuse
122	-	Tobacco, manufactured
667	-	Pearls, precious and semi-precious stones, unworked or worked
688	-	Uranium depleted in U235 and thorium, and their alloys, unwrought or wrought, and articles therefor, n.e.s.; waste and scrap of uranium depleted in U235 and of thorium
Group	Sub-group	Description of Items
718	718.7	Nuclear reactors, and parts thereof, n.e.s.
897	897.3	Jewelry of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
-	971.0	Gold, non-monetary (excluding gold ores and concentrates)

(b) expenditures in the currency of the Borrower or for goods supplied from the territory of the Borrower, excluding, if the currency of the Borrower is also that of another country, expenditures in such currency for goods supplied from the

territory of such other country;

(c) payments made for expenditures prior to the date of this Agreement;

(d) expenditures for goods procured under contracts costing less than \$2,000 equivalent;

(e) expenditures for goods supplied under a contract which any national or international financing institution or agency other than the Association shall have financed or agreed to finance; and

(f) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption.

3. No withdrawal shall be made and no commitment shall be entered into to pay amounts to the Borrower or others in respect of expenditures to be financed out of the proceeds of the Credit after the aggregate of the proceeds of the Credit withdrawn from the Credit Account and the total amount of such commitments shall have reached the equivalent of: (a) SDR 800,000,³ unless the Association shall be satisfied, after an exchange of views as

3/ \$1 million equivalent.

described in Section 3.01 of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions related to the release of the second Tranche described in Schedule 3 to this Agreement have been taken; and (b) SDR 1,600,000,⁴ unless the Association shall be satisfied, after an exchange of views as described in Section 3.01 of this Agreement: (i) with the progress achieved by the Borrower in the carrying out of the Program, and (ii) that the actions related to the release of the third Tranche described in Schedule 3 to this Agreement have been taken.

4. If, after any of the exchange of views referred to in 3 above, the Association is not so satisfied and this situation shall not be rectified by the Borrower within 90 days after notice thereof by the Association, then the Association may, by notice to the Borrower, cancel the amount of the Credit then unwithdrawn from the Credit Account or any part thereof.

4/ \$2 million equivalent.

SCHEDULE 2

Procurement

1. Except as provided in paragraph 3 below, contracts for the procurement of goods (other than petroleum and petroleum products) estimated to cost the equivalent of \$500,000 or more each shall be awarded through international competitive bidding in accordance with procedures consistent with those set forth in Sections I and II of the "Guidelines for Procurement under IBRD Loans and IDA Credits" published by the Bank in May 1985 (the Guidelines), subject to the following modifications:

(a) Paragraph 2.8 of the Guidelines is deleted and the following is substituted therefor:

"2.8 Notification and Advertising

The international community should be notified in a timely manner of the opportunity to bid. This will be done by advertising invitations to apply for inclusion in a bidder's invitation list, to apply for prequalification, or to bid; such advertisements should be placed in at least one newspaper of general circulation in the Borrower's country and, in addition, in at least one of the following forms:

- (i) a notice in the United Nations publication, Development Forum, Business Edition; or
- (ii) an advertisement in a newspaper, periodical or technical journal of wide international circulation; or
- (iii) a notice to local representatives of countries and territories referred to in the Guidelines, that are potential suppliers of the goods required."

(b) The following is added at the end of paragraph 2.21 of the Guidelines:

"As a further alternative, bidding documents may require the bidder to state the bid price in a single currency widely used in international trade and specified in the bidding documents."

(c) Paragraphs 2.55 and 2.56 of the Guidelines are deleted.

2. Contracts for the procurement of goods (other than petroleum and petroleum products) or groups of goods estimated to cost less than the equivalent of \$500,000 per contract may be procured under contracts awarded: (i) in the case of imports by the public sector, on the basis of comparison of price quotations solicited from a list of at least three suppliers eligible under the Guidelines, in accordance with procedures acceptable to the Association; and (ii) in the case of imports by the private sector, on the basis of the normal procurement procedures of the purchaser of such goods.

3. Contracts for petroleum and petroleum products shall be awarded either through bilateral arrangements based on prevailing market prices of such commodity or products, or on the spot market, through direct negotiations in accordance with normal practices.

4. With respect to each contract referred to in paragraph 1 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect of

such contract, two conformed copies of such contract, together with the analysis of the respective bids and recommendations for award, a description of the advertising and tendering procedures followed and such other information as the Association shall reasonably request.

5. With respect to each contract referred to in paragraphs 2 and 3 of this Schedule, the Borrower shall furnish to the Association, prior to the submission to the Association of the first application for withdrawal of funds from the Credit Account in respect thereof, such documentation and information as the Association may reasonably request to support withdrawal applications in respect of such contract.

6. Notwithstanding the provisions of paragraphs 4 and 5 of this Schedule, where payments under a contract are to be made out of the proceeds of the Special Account, the copies of such contract or the documentation and the information to be furnished to the Association pursuant to the provisions of paragraph 4 or paragraph 5 of this Schedule, as the case may be, shall be furnished to the Association as part of the evidence required under paragraph 4 of Schedule 4 to this Agreement.

7. The provisions of the preceding paragraphs 4, 5 and 6 shall not apply to contracts on account of which the Association has authorized withdrawals from the Credit Account on the basis of statements of expenditure.

SCHEDULE 3

Actions Referred to in Paragraph 3 (a) (ii)
and (b) (ii) of Schedule 1 to this Agreement

The Borrower shall have:

(a) with relation to the release of the second Tranche:

- (i) prepared and furnished to the Association a macro-economic development strategy and implementation plan, satisfactory to the Association, including, inter alia, macroeconomic analysis, sectoral analysis, and a review of the competitiveness of the economy;
- (ii) carried out a review of the Borrower's negative list of imports and, on the basis of the results of such review, shall have agreed with the Association on a plan of action for the reduction of such negative list of imports;
- (iii) prepared and furnished to the Association a core public sector investment program, satisfactory to the Association, for fiscal year 1989;
- (iv) agreed with the Association on the Borrower's tax reform proposal, including a timetable therefor;
- (v) completed, in a manner satisfactory to the Association, the consolidation of the functions of the Industrial Development Corporation and the Tourist Board of the Borrower;
- (vi) adopted a capital and operational expenditures program for fiscal year 1989, satisfactory to the Association, for the new entity resulting from the consolidation referred to in paragraph (v) above;
- (vii) made progress, satisfactory to the Association, in the implementation of the Borrower's system for strengthening the formulation and monitoring of public sector investment programs;

- (viii) completed the third phase of the Organization and Methods survey currently being carried out by the Borrower for the restructuring of its civil service, in a manner satisfactory to the Association;
 - (ix) prepared and furnished to the Association a plan of action, satisfactory to the Association, for achieving the following targets: (A) that in fiscal year 1989 civil service salaries will not exceed 50% of total recurrent revenues (calculated without taking into account the impact of the tax reform referred to in (iv) above); and (B) that in fiscal years 1988 and 1989 civil service salaries will not exceed 56% of total recurrent expenditures;
 - (x) maintained minimum wages at levels established by the Borrower in Statutory Rules and Order No. 4 of 1980;
 - (xi) taken steps to simplify and improve, in a manner satisfactory to the Association, the procedures for wage negotiations in the public sector;
 - (xii) furnished to the Association a plan of action, satisfactory to the Association, for implementing the Borrower's training program for agricultural extension staff; and
- (b) with relation to the release of the third Tranche:
- (xiii) made progress in the carrying out of the implementation plan referred to in paragraph (i) above;
 - (xiv) made progress, satisfactory to the Association, in the carrying out of the plan of action referred to in paragraph (ii) above;
 - (xv) made progress in the implementation of the Borrower's tax reform proposal referred to in paragraph (iv) above;
 - (xvi) provided evidence, satisfactory to the Association, that the payments made by the Borrower to the civil service personnel are limited to an annual increase of 3% under the wage contract for fiscal years 1989, 1990 and 1991 and that the minimum wages shall have been maintained at levels established by the Borrower in Statutory Rules and Order No. 4 of 1980;
 - (xvii) made progress to the satisfaction of the Association in the implementation of the system referred to in paragraph (vii) above;
 - (xviii) provided evidence, satisfactory to the Association, that the targets referred to in (ix) above are being met; and
 - (xix) made progress, satisfactory to the Association, in the implementation of the program referred to in (xii) above.

SCHEDULE 4

Special Account

1. For the purposes of this Schedule:

(a) the term "eligible expenditures" means expenditures in respect of the reasonable cost of goods required during the execution of the Program and to be financed out of the proceeds of the

Credit in accordance with the provisions of Schedule 1 to this Agreement; and

(b) the term "Authorized Allocation" means an amount equivalent to SDR 400,000 to be withdrawn from the Credit Account and deposited in the Special Account pursuant to paragraph 3 (a) of this Schedule.

2. Except as the Association shall otherwise agree, payments out of the Special Account shall be made exclusively for eligible expenditures in accordance with the provisions of this Schedule.

3. After the Association has received evidence satisfactory to it that the Special Account has been duly opened, withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account may be made as follows:

(a) On the basis of a request or requests by the Borrower for a deposit or deposits which add up to the aggregate amount of the Authorized Allocation, the Association shall, on behalf of the Borrower, withdraw from the Credit Account and deposit in the Special Account such amount or amounts as the Borrower shall have requested.

(b) The Borrower shall furnish to the Association requests for replenishment of the Special Account at such intervals as the Association shall specify. On the basis of such requests, the Association shall withdraw from the Credit Account and deposit into the Special Account such amounts as shall be required to replenish the Special Account with amounts not exceeding the amount of payments made out of the Special Account for eligible expenditures. Each such deposit shall be withdrawn by the Association from the Credit Account in the respective equivalent amounts as shall have been justified by the evidence supporting the request for such deposit furnished pursuant to paragraph 4 of this Schedule.

4. For each payment made by the Borrower out of the Special Account for which the Borrower requests replenishment pursuant to paragraph 3 (b) of this Schedule, the Borrower shall furnish to the Association, prior to or at the time of such request, such documents and other evidence as the Association shall reasonably request, showing that such payment was made for eligible expenditures.

5. (a) Notwithstanding the provisions of paragraph 3 of this Schedule, no further deposit into the Special Account shall be made by the Association when either of the following situations first arises:

(i) the Association shall have determined that all further withdrawals can be made by the Borrower directly from the Credit Account in accordance with the provisions of Article V of the General Conditions and paragraph (a) of Section 2.02 of this Agreement; or

(ii) the total unwithdrawn amount of the Credit, minus the amount of any outstanding special commitment entered into by the Association pursuant to Section 5.02 of the General Conditions with respect to the Program, shall be equal to the equivalent of twice the amount of the Authorized Allocation.

(b) Thereafter, withdrawal from the Credit Account of the remaining unwithdrawn amount of the Credit shall follow such procedures as the Association shall specify by notice to the Borrower. Such further withdrawals shall be made only after and to the extent that the Association shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for eligible expenditures.

6. (a) If the Association shall have determined at any time that any payment out of the Special Account (i) was made for any expenditure or in any amount not eligible pursuant to paragraph 2 of this Schedule, or (ii) was not justified by the evidence furnished pursuant to paragraph 4 of this Schedule, the Borrower shall, promptly upon notice from the Association, deposit into the Special Account (or, if the Association shall so request, refund to the Association) an amount equal to the amount of such payment or the portion thereof not so eligible or justified. No further deposit by the Association into the Special Account shall be made until the Borrower has made such deposit or refund.

(b) If the Association shall have determined at any time that any amount outstanding in the Special Account will not be required to cover further payments for eligible expenditures, the Borrower shall, promptly upon notice from the Association, refund to the Association such outstanding amount for crediting to the Credit Account and immediate cancellation.

