

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4300-SLU

Financing Agreement

(OECS Skills for Inclusive Growth Project)

between

SAINT LUCIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 21, 2007

Public Disclosure Authorized

CREDIT NUMBER 4300-SLU

FINANCING AGREEMENT

AGREEMENT dated June 21, 2007, entered into between SAINT LUCIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association 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 two million four hundred thousand Special Drawing Rights (SDR 2,400,000) (variously, “Credit” and “Financing”) to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 3 to this Agreement.

2.07. The Payment Currency is United States Dollars.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out Part 2(a) and (c) of the Project through MoE and shall cause Parts 1, 2(b), and 3 of the Project to be carried out by the NSDC in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely that the NSDC and the Recipient shall have failed to perform any of their obligations under the Subsidiary Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely that the event specified in 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 Condition of Effectiveness consists of the following namely, that the Subsidiary Agreement that has been executed on behalf of the Recipient and the NSDC has become effective.

5.02. The Additional Legal Matter consists of the following: namely that the Subsidiary Agreement has been duly authorized or ratified by the Recipient and the NSDC and is legally binding upon the Recipient and the NSDC in accordance with its terms.

- 5.03. Without prejudice to the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, which may in no case be later than the eighteen (18) months after the Association's approval of the Credit which expire on November 10, 2008.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister of Finance and Physical Development.

- 6.02. The Recipient's Address is:

Ministry of Finance and Physical Development
3rd Floor, Financial Center
Bridge Street
Castries, Saint Lucia

Telephone: Facsimile:

(758) 468-5503 (758) 452-6700

- 6.03. The Association's Address is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) 1-202-477-6391
Washington, D.C.

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

SAINT LUCIA

By /s/ Stephenson King

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Caroline Anstey

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to increase the employability of youth through private-sector driven training.

The Project consists of the following parts subject to such modifications thereof as the Recipient and the Association may agree upon from time to time, to achieve such objectives:

Part 1: Skills training for unemployed youth

- (a) Supporting the skills training of unemployed youth by providing funds to carry out the following activities:
 - (i) outreach to, and enrollment in the skills training scheme of unemployed youth, private sector employers, and training providers;
 - (ii) submission of proposals to NSDC based on the employer's training needs and the training providers capacity to administer training, by:
 - (A) private sector employers;
 - (B) private sector employers jointly with training providers; or
 - (C) employer associations;
 - (iii) selection of winning proposals by the Technical Evaluation Committee;
 - (iv) matching of enrolled unemployed youth with winning proposals by the NSDC;
 - (v) pre-service training;
 - (vi) on-the-job traineeships;
 - (vii) certification of skills; and
 - (viii) monitoring and evaluation.
- (b) Increasing public awareness of the Project and encouraging stakeholders, such as unemployed youth, private sector employers, employers' associations and training providers, to participate in the Project.
- (c) Carrying out the following activities that have an impact in the OECS:

- (i) permitting training providers from other OECS members to compete with training providers from the Recipient's territory to train the Recipient's youth; and
- (ii) ensuring participation from other OECS members in the Technical Evaluation Committee, where appropriate.

Part 2: Improving the policy framework for delivering training

- (a) Carrying out the necessary steps to introduce and use occupational standards by:
 - (i) acquiring standards endorsed by CARICOM or prevailing international occupational standards;
 - (ii) validating competency standards using industry groups;
 - (iii) providing training and orientation in standards and qualifications;
 - (iv) assessing and certifying trainees;
 - (v) registering certificates evidencing trainee's qualifications in a qualification databank; and
 - (vi) assuring the quality of training providers, including the accreditation of such training providers.
- (b) Developing policy action plans, focused on *inter alia* assistance to at-risk youth and job training, in order to support the Recipient in future policymaking.
- (c) Carrying out the following activities that have an impact in the OECS:
 - (i) developing and printing information material;
 - (ii) training of assessors;
 - (iii) collaborating on workshops on standards with experts from CARICOM;
 - (iv) establishing a qualification databank that will be accessible by other OECS members; and
 - (v) conducting an assessment of the labour market's needs.

Part 3: Project management and institutional strengthening

- (a) (i) Supporting necessary Project management expenditures, including:

- (A) the financing of operational costs;
 - (B) the hiring of a Project manager by the NSDC to facilitate Project implementation;
 - (C) the hiring of an additional member of staff by the MoE to facilitate the implementation of Project activities;
 - (D) the financing of staff with responsibility for fiduciary matters within the PCU as agreed by the Association; and
 - (E) the financing of technical audits provided for in the Operational Manual.
- (ii) Assessing and strengthening the capacity of the NSDC to manage and facilitate training by *inter alia*:
- (A) upgrading the NSDC's management information system;
 - (B) improving the NSDC's financial management capabilities; and
 - (C) expanding and training the NSDC's staff of counselors to guide young clients.
- (b) (i) Supporting the collection and limited analysis of data on graduates of the training financed by the Project.
- (ii) Carrying out a tracer study to identify the impact of the investment and the lessons learned in the Project execution.
- (c) Carrying out the following activities that have an impact in the OECS:
- (i) operating information management systems for monitoring and evaluation that are compatible with those of other OECS members;
 - (ii) comparing, across the OECS members, the results of the monitoring and evaluation conducted nationally; and
 - (iii) evaluating the impact of the Project across the OECS.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. (i) The Recipient shall, through its MoE, enter into a subsidiary agreement with the NSDC, under terms and conditions satisfactory to the Association, setting forth their respective roles and responsibilities regarding the implementation of Parts 1, 2(b), and 3 of the Project, including carrying out the disbursement of funds to cover stipends for Trainees during pre-service training in coordination with the PCU, only after the financial capacity of the NSDC has been found to be satisfactory to the Association.

(ii) The Recipient shall exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Credit. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.
2. (i) The Recipient shall, throughout the implementation of the Project, maintain, in its MoEA, a Project coordinating unit with functions and responsibilities, satisfactory to the Association, including *inter alia* the financial management, procurement and disbursement of the Credit proceeds (specifically, the disbursement of funds to cover stipends for Trainees during pre-service training may be carried out by the PCU, in coordination with the NSDC, only after the financial capacity of the NSDC has been found to be satisfactory to the Association).

(ii) At all times throughout the implementation of the Project, the PCU shall be headed by a Project coordinator and assisted by staff in adequate numbers, all with qualifications and experience acceptable to the Association.
3. The Recipient shall, no later than 30 days after the Effective Date, through its MoE, establish and maintain a steering committee with membership, functions and responsibilities acceptable to the Association, including *inter alia*: (i) monitoring and supervising Project implementation; and (ii) ensuring that the funding of skills training activities set out at Part 1(a) of the Project is executed within the guidelines in the Operational Manual.
4. The Recipient shall, through its NSDC, establish and maintain a technical evaluation committee with membership, functions and responsibilities acceptable to the Association, including *inter alia*, (i) evaluating all proposals submitted by

the private sector employers and the training providers for training; (ii) selecting the winning proposals based on pre-defined and published selection criteria; and (iii) recommending those winning proposals to the Steering Committee.

5. The Recipient shall cause the NSDC to enter into agreements with the Beneficiaries under the Project, setting forth their respective roles and responsibilities under the Project, substantially in accordance with the terms of the model Training Agreement, referred to in Section I.B, paragraph 1(h) of this Schedule, including *inter alia*:

- (a) the private sector employer's obligation to:
 - (i) co-finance the Unit Cost of Training as stipulated in the Operational Manual, and
 - (ii) pay a stipend to the Trainee during the traineeships, referred to in Part 1(a)(vi) of the Project;
- (b) the training provider's obligation to carry out training activities in exchange for payment as stipulated in the Operational Manual; and
- (c) the NSDC's obligation to:
 - (i) instruct the Recipient to pay from its own resources and out of the proceeds of the Credit the remaining Unit Cost of Training, and
 - (ii) as of the date the Association finds the NSDC's financial capacity to be satisfactory for the purpose, pay a stipend to the Trainee during the pre-service training, referred to at Part 1(a)(v) of the Project .

B. Other

1. The Recipient shall carry out the Project in accordance with an operational manual satisfactory to the Association, such manual to include *inter alia*:

- (a) the implementation arrangements, including the roles and responsibilities of the NSDC, MoE, Steering Committee and the Technical Evaluation Committee as well as the other institutions supporting the implementation of the Project;
- (b) the criteria for the selection of winning proposals by the Technical Evaluation Committee;
- (c) the eligibility criteria for Beneficiaries under the Project;

- (d) the eligibility criteria for youth to receive training under the Project;
 - (e) the procurement procedures, standard bidding documents to be used for each procurement method, as well as model contracts for goods and works procured under the Project;
 - (f) the financial management procedures for the Project;
 - (g) the procedures for carrying out monitoring and evaluation of the Project;
 - (h) the model Training Agreement;
 - (i) the rate of co-financing of the Unit Cost of Training that private sector employers are obliged to pay;
 - (j) the terms of remuneration for training providers; and
 - (k) the amount of the stipend that the private sector employers and the NSDC are obliged to pay Trainees.
2. In the case of inconsistency between any provision of the Operational Manual and this Agreement, the provision of this Agreement will prevail. The Operational Manual may be amended by the Recipient from time to time with the approval of the Association.
 3. The Recipient shall, no later than 90 days after the Effective Date, through its MoE, provide evidence that it has entered into an agreement with: (a) one of the national training institutes in the Caribbean region to license standards that have been endorsed by CARICOM; or (b) an international training institute to license prevailing international occupational standards, in fulfillment of Part 2(a)(i) of the Project.
 4. The Recipient shall, through its Steering Committee, review the Unit Cost of Training jointly with the Association once every year, and adjust, as necessary, in a manner satisfactory to the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of the indicators set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of each calendar quarter and shall be furnished to the

Association not later than 45 days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) Percentage of Trainees employed 15 months after the start of training.

(ii) Number of unemployed youth enrolled in training.

(iii) Percentage of enrolled youth that become certified one year after the start of the training.

(iv) Percentage of Trainees in sectors other than tourism.

(v) Number of CVQ certifications awarded.

(vi) Number of accredited training providers.

(vii) National qualifications register in operation.

(viii) Existence of action plan for the inclusion of vulnerable groups in the economy.

(ix) Existence of action plan to improve the relevance and sustainability of training.

(x) Percentage of above indicators and of additional implementation indicators reported on a yearly basis by NSDC.

2. For purposes of Section 4.08 (c) of the General Conditions, the report on the execution of the Project and related plan required pursuant to that Section shall be furnished to the Association not later than September 15, 2012.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than 45 days after the end of each calendar quarter, interim unaudited financial reports

for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the Association not later than four months after the end of such period.

Section III. Procurement

A. General

1. **Goods and Works.** All goods and works required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Works.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:

<u>Procurement Method</u>
(a) National Competitive Bidding
(b) Shopping
(c) Direct Contracting

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following table specifies methods of procurement, other than Quality and Cost-based Selection, which may be used for consultants' services. The Procurement Plan shall specify the circumstances under which such methods may be used.

Procurement Method
(a) Quality-based Selection
(b) Fixed Budget Selection
(c) Least-Cost Selection
(d) Selection Based on Consultants' Qualifications
(e) Single-source Selection
(f) Procedures set forth in paragraphs 5.2, 5.3 and 5.4 of the Consultants Guidelines for the Selection of Individual Consultants

D. Review by the Association of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Association's Prior Review. All other contracts shall be subject to Post Review by the Association.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Credit Allocated (expressed in SDR)	Percentage of Expenditures to be Financed
(1) Goods, works, consultants' services and Operating Costs for the Project (except as covered by Category (2) below)	1,582,000	100%
(2) Unit Cost of Training		
(a) first allocation	283,800	67.5%
(b) second allocation	534,200	77.5%
TOTAL AMOUNT	2,400,000	

For the purposes of this schedule, the term:

(a) "Operating Costs" means the reasonable expenditures for Project administration, including the Project manager's and specialized staff compensation, office rental, utilities and communication expenses, which would not have been incurred absent the Project.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:

- (a) for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed \$150,000 equivalent may be made for payments relative to Category 1 above, made prior to this date but on or after March 15, 2007.
- (b) in respect of expenditures under Category (2)(b), unless, as of September 15, 2009, the Association is satisfied that all of the following conditions have been met:
 - (i) at least 700 unemployed youth have been enrolled and trained under the Project;
 - (ii) at least 67 percent of the 700 Trainees have been certified at Level 1 of the Caribbean Vocational Qualifications; and

- (iii) a tracer study has been conducted of the employment status and salary of Trainees 15 months after enrolling in training (the tracer study should cover at least 75 percent of the Trainees enrolled in the first round of training and should cover a comparison group of at least half the number of Trainees in that first round).

It is hereby agreed by the parties to this Financing Agreement that, in the event that as of September 15, 2009 any of the conditions specified in the preceding subparagraphs (i) through (iii) have not been met, the Association may, at the request of the Recipient, reallocate all or part of the proceeds of the Second Allocation to the First Allocation.

- 2. The Closing Date is March 15, 2012.

SCHEDULE 3

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each March 15 and September 15:	
commencing on September 15, 2017 to and including March 15, 2027	1.25%
commencing on September 15, 2027 to and including March 15, 2042	2.5%

* 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

Definitions

1. “Beneficiary” means private sector employer or training provider, as the case may be, all of which meet the criteria set forth in the Operational Manual to participate in the Project.
2. “CARICOM” means Caribbean Community, a regional grouping of States that includes the Recipient, established pursuant to Treaty establishing the Caribbean Community signed on 4th July 1973.
3. “Caribbean Vocational Qualifications” and “CVQ” means a regional certification system to accredit a standard and uniform delivery of competency-based technical and vocational education, training and certification within the Caribbean, established pursuant to the Memorandum of Agreement Establishing the Caribbean Association of National Training Agencies in November 2003.
4. “Category” means a category set forth in the table in Schedule 2, Section IV of this Agreement.
5. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005.
7. “MoE” means the Recipient’s Ministry of Education and Culture, or any successor thereto.
8. “MoEA” means the Recipient’s Ministry of Economic Affairs, Economic Planning, National Development and Public Services, or any successor thereto.
9. “NSDC” means National Skills Development Centre Incorporated, a legal person under public law established pursuant to the Recipient’s Companies Law of 1996.
10. “OECS” means Organisation of Eastern Caribbean States, a grouping of States established pursuant to the Treaty establishing the Organisation of Eastern Caribbean States signed on June 18, 1981 that includes the following members: Antigua and Barbuda, Commonwealth of Dominica, Grenada, Montserrat, St. Kitts and Nevis, St. Lucia and St. Vincent and the Grenadines, Anguilla and the British Virgin Islands.

11. “Operational Manual” means the manual for the operation of the Project referred to in Schedule 2, Section I.B paragraph 1 of this Agreement, as the same may be amended from time to time.
12. “PCU” means the Project coordinating unit referred to in Schedule 2, Section I.A paragraph 2 of this Agreement.
13. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004.
14. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated March 13, 2007 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
15. “Steering Committee” means the steering committee referred to in Schedule 2, Section I.A paragraph 3 of this Agreement.
16. “Subsidiary Agreement” means the agreement referred to in Schedule 2, Section I.A paragraph 1 of this Agreement.
17. “Technical Evaluation Committee” means the technical evaluation committee referred to in Schedule 2, Section I.A paragraph 4 of this Agreement.
18. “Trainee” means an unemployed youth that is receiving or has received training pursuant to Part 1(a) of the Project.
19. “Training Agreement” means any of the tripartite agreements to be entered into among the NSDC and the Beneficiaries referred to in Schedule 2, Section I.A paragraph 5 of this Agreement.
20. “Unit Cost of Training” means the cost of services provided by training providers during the course of pre-service training and on-the-job traineeship, including the value of the stipends paid to the Trainee during pre-service training (as of the date of this Agreement, the Unit Cost of Training is \$907, which amount is amendable pursuant to Schedule 2, Section I.B paragraph 4 of this Agreement).