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CREDIT NUMBER 6704-VC

# Financing Agreement

(Second Fiscal Reform and Resilience Development Policy Financing)

between

ST. VINCENT AND THE GRENADINES

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

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**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between ST. VINCENT AND THE GRENADINES (“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 A of Schedule 1 to this Agreement; and (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework.

WHEREAS the Recipient and the Association, intend to enter into a Financing Agreement: Second Fiscal Reform and Resilience Development Policy Financing with a Catastrophe Deferred Drawdown Option (CAT-DDO) (“CAT-DDO Agreement”) for the purpose of providing a credit in the amount of twenty million United States Dollars (US\$20,000,000) to assist in partially financing the Program, on terms and conditions set forth in the CAT-DDO Agreement.

NOW therefore, 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three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.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 May 15 and November 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.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 4.01. The Additional Event of Suspension consist of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consist 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 Conditions of Effectiveness consist of the following:
- (a) 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; and
  - (b) the CAT-DDO Agreement has been executed and delivered, and all the conditions precedent to its effectiveness (other than the effectiveness of this Agreement) have been fulfilled.
- 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 (20) years after the Signature Date.

**ARTICLE VI — REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Finance.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:  

Ministry of Finance, Economic Planning, Sustainable Development and  
Information Technology  
2nd Floor Administrative Complex  
P.O. Box 608  
Bay Street,  
Kingstown, St. Vincent; and
  - (b) the Recipient's Electronic Address is:  

E-mail: office.finance@gov.vc
- 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](mailto:TSayed@worldbank.org)

AGREED as of the Signature Date.

**ST. VINCENT AND THE GRENADINES**

**By**



\_\_\_\_\_  
**Authorized Representative**

Camilo Gonsalves

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_  
Minister of Finance

**Date:** \_\_\_\_\_  
03-Jul-2020

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



\_\_\_\_\_  
**Authorized Representative**

Tahseen Sayed

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_  
Country Director

**Date:** \_\_\_\_\_  
01-Jul-2020

## 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:

##### Responding to COVID-19 to protect the vulnerable

1. The Recipient, through its Cabinet, has approved income support programs to assist (i) workers of the hospitality sector for up to three months, and (ii) taxi, water taxi and tour buses registered with the Recipient's tourism authority, and mini-bus operators affected by the cancellation of cruise ships, airplane arrivals and physical distancing guidelines, as evidenced by Cabinet Memorandum dated May 22, 2020.
2. The Recipient, through its Cabinet, has approved a support program, for small businesses, youth micro-enterprises and cultural artists, as evidenced by Cabinet Memorandum dated May 22, 2020.
3. The Recipient, through its Cabinet, has approved (i) a program to provide, through the National Insurance Service, a pre-payment equivalent to one month pension to pensioners; and a temporary unemployment benefit to qualified persons who have been laid-off or asked to work reduced hours as a result of COVID-19; and (ii) a program of Interim Assistance Benefits (IAB) for vulnerable citizens who are neither pensioners nor social welfare beneficiaries, as evidenced by Cabinet Memorandum dated May 22, 2020.

##### Strengthening fiscal resilience

4. The Recipient, through its Parliament, has approved a Parliamentary Fiscal Responsibility Resolution that outlines declaratory fiscal responsibility principles and sets targets for spending, fiscal balances and public debt levels, as evidenced by the Fiscal Responsibility Resolution approved on December 28, 2019 and published in the Recipient's Official Gazette on January 7, 2020.
5. The Recipient, through its Cabinet, has adopted procurement regulations in support of and as required by the new Public Procurement Act, as evidenced by the Public Procurement Regulations 2019, published in the Recipient's Official Gazette on November 22, 2019.
6. The Recipient, through its Parliament, has approved a revised Tax Administration Act aimed at increasing transparency, consistency, and increasing domestic resource mobilization by facilitating compliance, as evidenced by the Tax

Administration Act dated December 27, 2019 and published in the Recipient's Official Gazette on December 31, 2019.

*Enhancing Climate and Disaster Resilience*

7. The Recipient, through its Cabinet, has adopted a time-based phase out of coastal sand mining throughout the national territory, as evidenced by the Cabinet Memorandum dated April 1, 2019, and the Cabinet Memorandum dated March 12, 2019.
8. The Recipient, through its Minister of Health, Wellness and the Environment, has phased out the importing, distribution and use of single-use plastic bags and plastic food service containers to reduce waste generation and marine pollution, as evidenced by the Environmental Health (Control of Disposable Plastics) Regulations 2019, published in the Recipient's Official Gazette on November 22, 2019.
9. The Recipient, through its Cabinet, has approved regulations for the operation of the Contingencies Fund, as evidenced by the Financing Administration (Contingencies Fund) Regulations 2019, published in the Recipient's Official Gazette on November 22, 2019.
10. The Recipient, through its Ministry of Housing, Informal Human Settlements, Land and Surveys, and Physical Planning, has adopted revised Building Regulations in the Town and Country Planning Act relating to the enforcement and application of OECS Building Codes to strengthen resilience to natural disasters, as evidenced by Building (Amendment) Regulations 2019, published in the Recipient's Official Gazette on November 22, 2019.
11. The Recipient, through its Cabinet, has approved the National School Safety Policy to enhance physical, environmental and social protection levels at education facilities, as evidenced by Cabinet Memorandum dated December 6, 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:

<b>Allocations</b>	<b>Amount of the Financing Allocated (expressed in USD)</b>
Single Withdrawal Tranche	20,000,000
<b>TOTAL AMOUNT</b>	<b>20,000,000</b>

**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.**

1. 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 June 30, 2023.

**SCHEDULE 2**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each November 15 and May 15:	
commencing November 15, 2030 to and including May 15, 2040	1%
commencing November 15, 2040 to and including May 15, 2060	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

### Section I. 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. “CAT-DDO Agreement” means the financing agreement entered into between the Recipient and the Association for the Second Fiscal Reform and Resilience Development Policy Financing with a Catastrophe Drawdown Option (CAT-DDO) operation as of the Signature Date (Credit 6703-VC).
3. “Contingencies Fund” means the Recipient’s contingencies fund established pursuant to Section 29 of the Finance Administration Act, Cap 252, dated October 12, 2004.
4. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
5. “Finance Administration Act” means the Recipient’s Finance Administration Act, Act No. 28 of October 12, 2004.
6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018.
7. “National School Safety Policy” means the Recipient’s School Safety Policy dated November 29, 2019 and adopted by the Recipient’s Cabinet through decision Memorandum 586/19 on December 6, 2019.
8. “OECS Building Codes” means the Organisation of Eastern Caribbean States building codes.
9. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 25, 2020 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.

10. “Public Procurement Act” means the Recipient’s Procurement Act published in the Official Gazette on November 22, 2019.
11. “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.
12. “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.
13. “Tax Administration Act” means the Recipient’s Tax Administration Act No. 30 of 2019, approved by the Recipient’s Parliament on December 27, 2019, and published in the Official Gazette on December 31, 2019.
14. “Town and Country Planning Act” means the Recipient’s Town and Country Planning Act no. 45 of 1992, approved by the Recipient’s Parliament on July 15, 1992, and published in the Official Gazette on July 1993.