

Public Disclosure Authorized

CONFORMED COPY

CREDIT NUMBER 4498-LC

Financing Agreement

(Additional Financing for Second Disaster Management Project)

between

SAINT LUCIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated November 6, 2008

Public Disclosure Authorized

CREDIT NUMBER 4498-LC

FINANCING AGREEMENT

Agreement dated November 6, 2008, entered into between SAINT LUCIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing additional financing for activities related, and/or additional, to the Original Project (as defined in the Appendix to this Agreement). 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 one million nine hundred thousand Special Drawing Rights (SDR 1,900,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 April 15 and October 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 objectives of the Project. To this end, the Recipient shall carry out the Project through the PCU 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 — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient shall update the Operational Manual and the Environmental Management Plan to take into account the activities set forth in Schedule 1 of this Agreement.
- 4.02. Without limitation upon the provisions of the General Conditions, the Effectiveness Deadline is the date ninety (90) days after the date of this Agreement, but in no case later than eighteen (18) months after the Association's approval of the Credit which will expire on January 15, 2010.
- 4.03. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance.
- 5.02. The Recipient's Address is:
Ministry of Finance
3rd Floor Financial Center
Bridge Street
Castries, Saint Lucia

Telephone: Facsimile:
1-758-468-5502 1-758-452-6700

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

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

SAINT LUCIA

By /s/ Michael Louis

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yvonne Tsikata

Authorized Representative

SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient to continue preparing for, mitigating against, and responding efficiently to, disasters such as, but not limited to, hurricanes, tropical storms, floods, landslides, earthquakes, and storm surges, through physical strengthening of infrastructure, institutional development and training of human resources.

The Project consists of following activities related and/or additional to those of the Original Project:

Part A. Physical Works

1. Carrying out of coastal and flood protection works for Dennery Village, specifically the creation of communal recreation areas as part of the consolidation of the beach reclamation activity and the extension of the works at Dennery River and Trou A Leau Ravine to ensure greater stability as a result of recent river erosion.
2. Carrying out disaster mitigation works, including, drainage, river walls and slope stabilization works using gabion rubble, in response to hurricane damage.
3. Carrying out of technical audits on civil work(s) under the Project relative to the disaster mitigation works as well as a scientific analysis of current landslide vulnerabilities.

Part B. Project Management

Strengthening the institutional, administrative, financial, procurement, and technical capabilities of the PCU to carry out its obligations (including the required audit services) under the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall operate and maintain, at all times during Project implementation, a Project coordination unit (“PCU”), with structure, functions and responsibilities acceptable to the Association which shall include, *inter alia*: coordinating Project implementation; carrying out administration of the Project in its technical, procurement, and financial aspects; preparing Project and financial reports in accordance with Section II below; and monitoring and evaluating the Project.

2. (a) The Recipient shall carry out the Project in accordance with the Operational Manual.

(b) If any provision of the Operational Manual is inconsistent with a provision of this Agreement, then the provision of this Agreement shall prevail.

B. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards.

(a) Prior to the approval of any proposed civil work(s) to be financed out of the proceeds of the Credit, the Recipient shall apply the Environmental Management Plan, in order to:

(i) carry out environmental screening and assessment of such proposed civil work(s), as prescribed in the Environmental Management Plan; and

(ii) prepare recommendations for the prevention, mitigation and remediation of any potential environmental damage arising from the implementation of such proposed civil work(s).

(b) During the implementation of any of the civil work(s), the Recipient shall have the recommendations of the environmental screening and assessment

referred to in subparagraph (a) (i) above carried out, as prescribed in the Environmental Management Plan.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. 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 indicators agreed with the Association. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than 45 days after the end of the period covered by such report.

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 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.

<u>Procurement Method</u>
(a) Selection based on Consultant's Qualifications
(b) Single Source Selection
(c) 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 (inclusive of Taxes)
(1-AF) Works	1,600,000	81%
(2-AF) Goods	0	81%
(3-AF) Consultant Services and training	120,000	81%
(4-AF) Operating Expenditures	180,000	48 %
TOTAL AMOUNT	1,900,000	

For the purposes of this Schedule:

(a) the term “Operating Expenditures” means the non-consultant expenditures incurred by the Recipient in connection with the daily operation of the PCU, including, office utilities, supplies and materials, salaries of PCU staff, charges associated with maintenance of bank accounts, which expenditures would not have been incurred absent the Project; and

(b) the term “training” means the non-consultant expenditures incurred by the Recipient in connection with the carrying out of training activities under the project, including reasonable travel costs and per diem of trainees, rental of training facilities and equipment, and training materials.

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.
2. The Closing Date is December 31, 2011.

SCHEDULE 3

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (expressed as a percentage)*
On each April 15 and October 15:	
commencing October 15, 2018 to and including April 15, 2028	1.25%
commencing October 15, 2028 to and including April 15, 2043	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. “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006.
2. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
3. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the Bank in May 2004 and revised in October 2006.
4. “Environmental Management Plan” means the Recipient’s environmental impact framework for the Project, dated March 9, 2004, that contains specific environmental rules and procedures for Project implementation including mandatory safeguards and mitigation actions for the carrying out of any civil work(s) under the Project, which safeguards and actions shall be applied to prevent or mitigate any possible negative environmental impact said civil work(s) might otherwise cause, such as, in particular, increase in deforestation, pollution of groundwater, negative impacts on endangered species, increased soil erosion, impacts on parks and protected areas, and encroachment on natural habitats, as updated pursuant to Section 4.01 of this Agreement.
5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).
6. “Operational Manual” means the manual for the operation of the Original Project as described in the Original Financing Agreement, as updated pursuant to Section 4.01 of this Agreement.
7. “Original Financing Agreement” means the loan and development credit agreements for the Second Disaster Management Project between the Recipient and the Bank and the Association, respectively, dated July 29, 2004 (Loan No. 7238-SLU and Credit No. 3936-SLU respectively).
8. “Original Project” means the Project described in the Original Financing Agreement.
9. “PCU” means the Project coordination unit referred to in paragraph 1 of Section I.A of Schedule 2 to this Agreement.

10. “Procurement Guidelines” means the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the Bank in May 2004 and revised in October, 2006.
11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated June 4, 2008 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.