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**CREDIT NUMBER 6805-GD**

# **Financing Agreement**

**(Grenada COVID-19 Crisis Response and Fiscal Management  
Development Policy Financing)**

**between**

**GRENADA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**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 twenty-five million Dollars (\$25,000,000) (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plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.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 February 15 and August 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 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, namely, 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 of Finance, Planning, Economic and Physical Development.

- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

- Ministry of Finance, Economic and Physical Development, Public  
Utilities and Energy  
Financial Complex  
The Carenage  
St. George's  
Grenada; and

- (b) the Recipient's Electronic Address is:

- |                |               |
|----------------|---------------|
| Facsimile:     | E-mail:       |
| 1-473-440-4115 | 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:	E-mail:
248423 (MCI)	1-202-477-6391	<a href="mailto:tsayed@worldbank.org">tsayed@worldbank.org</a>

AGREED as of the Signature Date.

**GRENADA**

**By**



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

**Name:** \_\_\_\_\_ Gregory Bowen

**Title:** \_\_\_\_\_ Minister for Finance

**Date:** \_\_\_\_\_ 21-Dec-2020

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**By**



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

**Name:** \_\_\_\_\_ Denis Boskosvki

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

**Date:** \_\_\_\_\_ 21-Dec-2020

## 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 adopted new public health regulations that govern the national response to the COVID-19 pandemic and outline appropriate health protocols to support a safe reopening of the economy, as evidenced by: (a) the Quarantine (COVID-19) Regulations, 2020 (Statutory Rules and Orders No. 58 of 2020, published in the Government Gazette on September 16, 2020); (b) the Public Health (COVID-19) (Amendment) Regulations, 2020 (Statutory Rules and Orders No. 62 of 2020, published in the Government Gazette on September 23, 2020); (c) the Quarantine (COVID-19) Regulations, 2020 (Statutory Rules and Orders No. 66 of 2020, published in the Government Gazette on October 5, 2020).
2. The Recipient has: (a) approved a temporary unemployment benefit program through the National Insurance Scheme (“NIS”) to cushion the effect on workers who have been laid off as a direct result of the COVID-19 pandemic; and (b) temporarily suspended the two percent increase in NIS contributions that had been introduced in January 2020 to temporarily reduce labor cost to firms and increase disposable income for workers, as evidenced, respectively, by: (i) the National Insurance (Unemployment Assistance Benefit Regulations, 2020 (Statutory Rules and Orders No. 33 of 2020, published in the Government Gazette on May 22, 2020); (ii) the National Insurance (Collection of Contributions) (Amendment) Regulations, 2020 (Statutory Rules and Orders No. 19 of 2020 published in the Official Gazette on April 17, 2020); (iii) the National Insurance (Self-Employed Persons) (Amendment) Regulations, 2020 (Statutory Rules and Orders No. 20 of 2020, published in the Government Gazette on April 17, 2020); (iv) the National Insurance (Collection of Contributions) (Amendment No. 2) Regulations, 2020 (Statutory Rules and Orders No. 52 of 2020, published in the Government Gazette on July 29, 2020); and (v) the National Insurance (Self-Employed Persons) (Amendment No. 2) Regulations, 2020 (Statutory Rules and Orders No. 53, 2020, published in the Government Gazette on July 29, 2020).
3. The Recipient has approved funding for temporary payroll support to hoteliers, restaurants, bars, and small travel agents in the tourism sector, and income support to public bus operators, taxi drivers, tourist vendors, and other such identified hospitality-based businesses, as evidenced by a letter from the Cabinet Secretary dated October 21, 2020 citing Cabinet Conclusion No. 385 dated April 6, 2020.

4. The Recipient has bolstered farming communities and supported incomes of workers in the agro-processing and food exporting industry by providing them with key agricultural inputs, including labor, capital, and financial assistance (price support, grant and concessional credit), as evidenced by: (a) the letter from the Cabinet Secretary dated October 21, 2020 citing: (i) Cabinet Conclusion No. 469 dated May 18, 2020 approving the payment of price support to the Grenada Cooperative Nutmeg Association; and (ii) Cabinet Conclusion No. 517 of June 8, 2020 approving a grant and a loan to the Grenada Cocoa Association; and (b) the letter from the Cabinet Secretary, dated October 22, 2020, citing Cabinet Conclusion No. 455 dated May 11, 2020, approving a national food security strategy as part of the COVID-19 mitigation and response for the agricultural sector, the work plan and budget for the Ministry of Agriculture and the Marketing and National Importing Board, and the management plan for the implementation of the farm labor support program in an outsourced mode.
5. The Recipient has taken the following measures to support access to finance and operational continuity for MSMEs in the face of COVID-19 in critical sectors: (a) provided additional funding for the small hoteliers facility and the small business soft lending facility managed by the Grenada Development Bank; and (b) temporarily deferred the monthly advance payment on income tax and the instalment payments on the annual stamp tax, as evidenced, respectively, by: (i) letter from the Cabinet Secretary dated October 21, 2020 citing Cabinet Conclusion No. 385 dated April 6, 2020 in which XCD\$7 million were approved for the Small Hoteliers Facility and XCD\$5 million were approved for the Small Business Soft Lending Facility; and (ii) the COVID-19 Tax Relief Act, 2020 (Act No. 2 of 2020 published in the Government Gazette on April 21, 2020 (No. 25, Volume 138).
6. The Recipient has taken steps to improve debt transparency and the timeliness of debt reporting by: (a) approving the annual preparation and publication of the government debt management report; and (b) publishing the quarterly debt statistical bulletin, including government debt, government guarantees, and SOEs' debt in the website of the MoF, as evidenced, respectively, by: (i) letter from the Cabinet Secretary dated October 21, 2020, citing Cabinet Conclusion No. 909 dated October 12, 2020 in which Cabinet approved the preparation and publication of an annual debt management report for the year 2019 by November 30, 2020, and the preparation and publication of subsequent reports within six months after the end of the Recipient's fiscal year; and (ii) the following website of the MoF which includes the publication of quarterly debt bulletins from the third quarter of 2016 through the second quarter of 2020: <https://www.finance.gd/index.php/2014-05-06-18-20-13/debt-management-unit>.
7. The Recipient has adopted a policy framework on investment and asset management ("PIAM") providing an overarching governance framework for public assets in Grenada, involving a comprehensive (physical) assets registry, and

with links to climate change and disaster risk management, as evidenced, by the letter from the Cabinet Secretary dated October 29, 2020 citing Cabinet Conclusion No. 931 dated October 19, 2020.

8. The Recipient has adopted the cash basis international public sector accounting standards (“IPSAS”) for the preparation of its public accounts in compliance with Section 64 of the PFM Act, to enhance its financial reporting standards, as evidenced by: (i) the letter from the Cabinet Secretary, dated October 23, 2020 citing Cabinet Conclusion No. 869 dated September 28, 2020; and (ii) the Notice dated October 21, 2020 signed by the Recipient’s Accountant General, and published in the Government Gazette No. 81, Volume 138 on Friday, October 23, 2020.
9. The Recipient has reformed its internal audit function by adopting the code of ethics and audit standards promulgated by the Institute of Internal Auditors (“IIA”), to enhance and protect the value of the public sector, as evidenced by: (i) the letter from the Cabinet Secretary dated October 23, 2020, citing Cabinet Conclusion No. 870 dated September 28, 2020; and (ii) the Notice dated October 21, 2020 signed by the Permanent Secretary of the Ministry of Finance, and published in the Government Gazette No. 81, Volume 138 on Friday, October 23, 2020.

**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>
(1) Single Withdrawal Tranche	25,000,000
<b>TOTAL AMOUNT</b>	<b>25,000,000</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.**

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, 2021.

**SCHEDULE 2**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Credit repayable (expressed as a percentage)*</b>
On each February 15 and August 15:	
commencing February 15, 2031 to and including August 15, 2040	<b>1%</b>
commencing February 15, 2041 to and including August 15, 2060	<b>2%</b>

\* 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. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
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).
4. “MoF” means the Recipient’s Ministry of Finance, Economic and Physical Development, Public Utilities and Energy, or any successor thereto acceptable to the Association.
5. “MSMEs” means medium, small and micro enterprises.
6. “National Insurance Scheme” or “NIS” means the national insurance of Grenada, Carriacou and Pettit Martinique established by Act No. 14 of 1983, as amended to date.
7. “PFM Act” means the Recipient’s Public Finance Management Act (Act No. 17 of 2015), as published in the Government Gazette No. 28 on June 19, 2015.
8. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated November 5, 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.
9. “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.

10. “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.
11. “SOEs” means the Recipient’s state-owned enterprises.
12. “XCD” means Eastern Caribbean Dollars.