

Public Disclosure Authorized

**CONFORMED COPY**

**CREDIT NUMBER 4137-GD**

# **Financing Agreement**

**(Public Sector Modernization Technical Assistance Project)**

**between**

**GRENADA**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

**Dated April 26, 2006**

Public Disclosure Authorized

**CREDIT NUMBER 4137-GD**

**FINANCING AGREEMENT**

AGREEMENT, dated April 26, 2006, between GRENADA (“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 the Financing 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 five hundred thousand Special Drawing Rights (SDR2,500,000) (“Financing” or “Credit”) 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 Credit 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 Financing shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

- 2.07. The Payment Currency is USD, as defined in the General Conditions.

### **ARTICLE III — PROJECT**

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project 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 Events of Suspension consist of the following:
- (a) The Cabinet Conclusion, dated September 2005, which approved the establishment of the Project Steering Committee, is amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Recipient's ability to perform any of its obligations under this Agreement.
  - (b) The Industrial Development Act of 1984, establishing the Grenada Industrial Development Corporation, is amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the Recipient's ability to perform any of its obligations under Schedule 1, Part 2, of this Agreement.
- 4.02. The Additional Events of Acceleration consists of the following:
- (a) The event specified in paragraph (a) of Section 4.01 of this Agreement occurs.
  - (b) The event specified in paragraph (b) of Section 4.01 of this Agreement occurs.

**ARTICLE V – EFFECTIVENESS; TERMINATION**

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

**ARTICLE VI – REPRESENTATIVE; ADDRESSES**

- 6.01. The Recipient's Representative is the Minister of Finance and Planning.

- 6.02. The Recipient's Address is:

Minister of Finance and Planning  
Financial Complex  
The Carenage,  
St. George's, Grenada

Facsimile: (473) 440-4115

- 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  
Washington, D.C.

248423 (MCI) or  
64145 (MCI)

1-202-477-6391

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

GRENADA

By /s/ Keith C. Mitchell

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 in the process of modernizing its public sector, with a focus on improving public sector efficiency in service delivery and management, enhancing private sector collaboration in support of developing small businesses, and promoting regionalization initiatives.

The Project consists of the following parts:

#### Part 1. Executive Agencies and Public Sector Performance Management

A. Carrying out of preparatory work and strategic review for the establishment of Executive Agencies and implementation of public sector performance management, including: (i) examination of governmental entities and functions proposed for conversion into Executive Agencies; (ii) preparation of detailed, modernization and financing plans for each proposed conversion in areas such as reporting structures, information technology systems, procurement and business processes, budgetary and financial management strategies, and human resources management; (iii) establishment of an Executive Agencies policy framework; (iv) design and implementation of informational campaigns and training courses for governmental staff on the policy framework and modernization plan for each proposed Executive Agency; (v) review of constitutional and legal issues, including preparation of draft legislation for presentation to the Recipient's cabinet and legislature in accordance with the Recipient's legal framework; and (vi) design of policies and procedures on outsourcing and commercialization and an action plan for implementing performance management across the public sector.

B. Conversion of select government functions into two Executive Agencies under the approved legislative framework, including the purchase of equipment for the functioning of the Executive Agencies, and carrying out of minor civil works for existing facilities.

#### Part 2. Grenada Industrial Development Corporation

Strengthening the capacity of the small business development center (SBDC), within the Grenada Industrial Development Corporation, to provide technical assistance to small and micro businesses by: (i) remodeling the SBDC facilities including specifically those in Frequent Park, St. George's; (ii) providing office equipment and furniture; (iii) acquiring a mini-bus and hiring a driver to access remote parishes and communities; (iv) designing and implementing a "train-the-trainer" program that would support the SBDC functions to provide advisory services, skills development, diagnostic services and business start-up services; (v) providing logistics and facilitation support for

small and micro business training programs on basic business administration and general start-up activities; and (vi) providing overall implementation support.

Part 3. Regional Initiatives

A. Pooled Procurement

(i) Preparation of a pooled procurement scheme through: (a) identification of specific goods and/or services that the Recipient would seek to jointly procure with at least one member of the OECS; (b) design of an organizational structure for the implementation of a pooled procurement scheme, including consultation with, and seeking the agreement of, other OECS members; (c) promotion of the benefits and methods of pooled procurement with other OECS members through outreach activities; and (d) identification of relevant national training needs and creation of training modules for the Recipient's public and private sectors.

(ii) Implementation of a pooled procurement scheme through: (a) identification of relevant regional training needs and creation of related training modules; (b) design of a regional pilot procurement payment and inventory management system; and (c) drafting of relevant legislation and procurement documents, including standard bidding documents.

B. Technical Assistance for Regionalization Efforts

Provision of technical assistance to the Recipient, through CARICAD, to conduct a diagnostic review and prepare an action plan to address the technical needs of the Public Sector Reform Unit, and to provide follow-up support in furtherance of the Recipient's regionalization efforts.

Part 4. Capacity Building for the Public Sector Reform Unit and Project Administration

A. Provision, to the Public Sector Reform Unit, of: (i) technical assistance and training in areas such as public sector modernization, project management, monitoring and evaluation, information technology development, human resources management, and communication strategies; (ii) support staff; and (iii) basic office equipment.

B. Provision, to the Project Coordination Unit, of: (i) technical assistance and training in areas such as procurement and records management and annual audits; and (ii) basic office equipment.

## SCHEDULE 2

### Project Execution

#### Section I. Institutional and Other Arrangements

1. The Recipient shall maintain until the completion of the Project:
  - (a) a unit, within its Department of Human Resources in the Prime Minister's Office, to carry out the implementation of the Project;
  - (b) a unit, within its Ministry of Finance and Planning, to carry out the financial and procurement management of the Project; and
  - (c) a steering committee to, *inter alia*, oversee the Project implementation process; ensure delivery of the Project outputs and attainment of Project outcomes by facilitating inter-institutional coordination between public sector institutions in Grenada, other OECS countries, regional organizations, the Association and other donors; approve budgetary and annual operating plans; and provide guidance and consultations with civil society.
2. The Recipient shall ensure that the Public Sector Reform Unit and the Project Coordination Unit have employed adequate staffing, and have available the required office space, equipment, and furniture needed to support the adequate functioning of the units and the implementation of the Project.
3. The Project Coordination Unit shall maintain and apply the Operational Manual to the financial management of the Project. The Recipient shall not amend, waive, suspend or abrogate the provisions of the Operational Manual or any part thereof without the Association's prior written concurrence. In case of inconsistency between the provisions of the Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall, for the purposes of making payments for Local Expenditure to be financed under the Project:
  - (a) open and maintain, for the duration of the Project, an advance account (hereinafter referred to as the Project Account) in XCD in a commercial bank on terms and conditions satisfactory to the Association;
  - (b) ensure that funds deposited into the Project Account shall be used only for the purposes of defraying the expenditure incurred in the execution of the Project.



**Section II. Project Monitoring, Reporting, 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 the indicators agreed with the Association. The first Project Report shall cover the period between the Effective Date and the first June or December following that date, and shall be furnished to the Association not later than one month after the end of that period. Thereafter, each Project Report shall cover the period of six months (being January through June or July through December), and shall be furnished to the Association not later than one month after the end of the period covered by such report.
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 six months after the Closing Date.

**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 one month after the end of each six month period, interim un-audited financial reports for the Project covering that six month period, in form and substance satisfactory to the Association. The six month periods shall be January through June, and July through December. The first un-audited financial report shall cover the period between the Effective Date and the first June or December following that date. Thereafter, each interim un-audited financial report shall be furnished to the Association not later than one month after each subsequent six month period.
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 (beginning January 1<sup>st</sup> and ending December 31<sup>st</sup>). 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 Schedule.
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 Schedule.
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:

<b><u>Procurement Method</u></b>
(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.

<b>Procurement Method</b>
(a) Selection Based on Consultant Qualifications
(b) Least Cost Selection
(c) Single Source Selection
(d) Individual Consultants

**D. Review by the Association of Procurement Decisions**

1. 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 this Section and such additional instructions as the Association may specify by notice to the Recipient, to finance Eligible Expenditure as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditure 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 expenditure to be financed for Eligible Expenditure in each Category:

<b>Category</b>	<b>Amount of the Financing Allocated (expressed in SDR)</b>	<b>Percentage of Expenditure to be Financed</b>
(1) Goods, training, works, and consultants' services for the Project, with the exception of Parts 1(B) and 3(A)(ii)	1,748,000	100%
(2) Goods and works for Part 1(B) under the Project	321,000	100%
(3) Consultants' services for Part 3(A)(ii) under the Project	93,000	100%
(4) Operating Expenditure	95,000	100%
(5) Unallocated	243,000	
<b>TOTAL AMOUNT</b>	<b>2,500,000</b>	

3. For the purposes of this Schedule:

- (a) the term "training" means reasonable expenditure directly related to the provision of training under Parts 1(A), 2, 3, and 4 of the Project;
- (b) the term "operating expenditure" means reasonable expenditure directly related to the implementation, management and monitoring of the Project (which expenditure would not have been incurred absent the Project), consisting of expenditure for Project staff (including members of the Project Steering Committee) travel, office supplies, maintenance of office equipment, operation and maintenance of vehicles, bank charges, salaries of support staff under Parts 2 and 4(A) of the Project, but excluding salaries of staff of the Recipient's public service.

**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;
- (b) for expenditure incurred under Category (2) unless the Recipient's legislature has passed enabling legislation for the creation and implementation of Executive Agencies, as specified under Part 1(A) of the Project; and
- (c) for expenditure made under Category (3) unless the Recipient has entered into a Memorandum of Agreement with at least one other OECS member to participate in the pooled procurement mechanism, as specified under Part 3(A) of the Project.

2. The Closing Date is December 31, 2010.

**SCHEDULE 3**

**Repayment Schedule**

<b>Date Payment Due</b>	<b>Principal Amount of the Financing repayable (expressed as a percentage)*</b>
On each March 15 and September 15:	
commencing March 15, 2016 to and including September 15, 2025,	<b>1.25%</b>
commencing March 15, 2026 to and including September 15, 2040	<b>2.50%</b>

\*The percentages represent the percentage of the principal amount of the Financing to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

## APPENDIX

### Section I. Definitions

1. “CARICAD” means the Caribbean Centre for Development Administration, a regional inter-governmental organization, created pursuant to the Agreement Establishing the Caribbean Subcentre of the Latin American Centre for Development Administration.
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 World Bank in May 2004.
4. “Eastern Caribbean Dollar” and “XCD” each mean the lawful currency of Grenada.
5. “Executive Agency” or “Executive Agencies” means, respectively, agency or agencies that would be a department or departments of the Recipient’s government, focusing on operational service delivery functions.
6. “General Conditions” means the “International Development Association General Conditions for Credits and Grants,” dated July 1, 2005.
7. “Grenada Industrial Development Corporation” means the corporation established pursuant to the Recipient’s Industrial Development Act of 1984.
8. “OECS” means the Organisation of Eastern Caribbean States, which is governed by the Treaty of Basseterre, and consists of the member states of Antigua and Barbuda, Dominica, Grenada, Montserrat, St. Kitts and Nevis, Saint Lucia and St. Vincent and the Grenadines, and the associate member states of Anguilla, the British Virgin Islands.
9. “Operational Manual” means the manual, adopted by the Project Coordination Unit in October 2004, which sets forth the policies and procedures that the Project Coordination Unit will apply in the carrying out of the financial management of the Project, as the same may be amended from time to time with the prior agreement of the Association.
10. “Procurement Guidelines” means the “Guidelines for Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004.

11. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 4, 2005, and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, and as such Plan may be updated from time to time in accordance with the provisions of the paragraphs referred to herein.
12. “Project Account” means the account referred to in Schedule 2, Section I(4) of this Agreement.
13. “Public Sector Reform Unit” means the unit within the Recipient’s Department of Human Resources in the Prime Minister’s Office, referred to in Schedule 2, Section I(1)(a) of the Agreement.
14. “Project Coordination Unit” means the unit within the Recipient’s Ministry of Finance and Planning, referred to in Schedule 2, Section I(1)(b) of this Agreement.
15. “Project Steering Committee” means the steering committee for this Project, which was established pursuant to Grenada Cabinet Conclusion 1329, dated September 12, 2005, referred to in Schedule 2, Section I(1)(c) of this Agreement.