

CONFORMED COPY

CREDIT NUMBER 4993-GD

Financing Agreement

(Safety Net Advancement Project)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated September 20, 2011

CREDIT NUMBER 4993-GD

FINANCING AGREEMENT

AGREEMENT dated September 20, 2011, entered into 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 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 three million two hundred thousand Special Drawing Rights (SDR 3,200,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 US Dollar.

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 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. 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 January 7, 2013.
- 4.02. 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 for Finance.
- 5.02. The Recipient's Address is:

Ministry of Finance
Financial Complex
The Carenage, St. George's
Grenada, W.I.
Facsimile: (473) 440-4115

- 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.

GRENADA

By /s/ V. Nazim Burke

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Françoise Clottes

Authorized Representative

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) strengthen the basic architecture of the consolidated Conditional Cash Transfer Program (CCT Program) and the capacity of the MOSD to implement it; (ii) improve coverage of poor households receiving cash transfers; and (iii) improve education outcomes of poor children and health monitoring of vulnerable households.

The Project consists of the following parts:

Part 1. Improving Conditional Cash Transfers

Provision of Cash Transfers to Beneficiaries.

Part 2. Improving Implementation Capacity of MOSD

Strengthening of the capacity of MOSD to support the implementation of the consolidated Conditional Cash Transfer Program by providing technical assistance to MOSD on coordination, management, supervision as well as monitoring and evaluation of the CCT Program.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall maintain, at all times during Project implementation, the Inter-Sectoral Steering Committee with a mandate, composition and resources acceptable to the Association for the purpose of coordinating the implementation of the Project. The Inter-Sectoral Steering Committee shall be chaired by the senior representative from the Ministry of Social Development and shall be composed, *inter alia* by representatives from MOE, MOH, MOSD, MOF and non-governmental organizations.
2. The Recipient shall maintain, at all times during Project implementation, the Inter-Ministerial Technical Committee with a mandate, composition and resources acceptable to the Association, including, *inter alia*, the responsibility to strengthen the basic architecture of the CCT Program and facilitate training activities for Recipient officials involved in the implementation of the CCT Program. The Inter-Ministerial Technical Committee shall be composed, *inter alia*, by representatives from MOE, MOH, MOSD and MOF.
3. The Recipient shall establish, no later than six months after the Effective Date, and thereafter maintain the Cash Transfer Unit within the MOSD with structure, functions and responsibilities as well as resources acceptable to the Association for the purpose of *inter alia* assisting the Recipient in administering and managing the CCT Program as well as handling reporting, coordination and monitoring and evaluation of the CCT Program.
4. The Recipient shall operate and maintain within the Ministry of Finance, at all times during Project implementation, a Project Coordination Unit with structure, functions and responsibilities acceptable to the Association, including, *inter alia*, the responsibility to assist the Recipient in handling procurement, disbursement and financial management aspects of the Project as well as coordination, monitoring and supervision of the Project.

B. Implementation Arrangements

1. Operations Manual.
 - (a) The Recipient shall carry out the Project in accordance with the Operations Manual, acceptable to the Association, such manual to include, *inter alia*:

- (i) the Project implementation arrangements;
 - (ii) the flow and disbursement arrangements of Credit proceeds;
 - (iii) the procedures for the procurement of Non-consulting Services, Goods and Consultants' Services, as well as for financial management and audits of the Project;
 - (iv) the key performance indicators and the procedures for monitoring and evaluating the Project; and
 - (v) the Operational Rules which shall contain provisions guiding the implementation of the CCT Program that will, as a minimum, address the following: (A) the eligibility criteria for potential Beneficiaries; (B) the conditions to be fulfilled by potential Beneficiaries in order to receive the proposed cash transfers and the mechanisms for verification of compliance with such conditions; (C) the mechanisms for delivery of the proposed cash transfers; (D) the institutional arrangements, including the Recipient's lines of authority and accountability; (E) the monitoring and evaluation system, including details on how to audit the program; and (F) a grievance mechanism to handle complaints and appeals on the operation of the program in a timely manner.
- (b) Except as the Recipient and the Association may otherwise agree in writing, the Recipient shall not abrogate, amend, repeal, suspend, waive or otherwise fail to enforce the Operations Manual or any provision thereof.
 - (c) In case of any conflict between the terms of the Operations Manual and those of this Agreement, the terms of this Agreement shall prevail.
2. If, at any time, the Association determines that any portion of the financing under the Project was used for items improperly procured in violation of Section III to this Schedule, was not used for Cash Transfers or was not supported by evidence of actual spending by the Recipient for Cash Transfers and/or by evidence of satisfaction of other criteria set forth in this Agreement or in the Operations Manual, the Recipient shall promptly refund any such portion to the Association as the Association shall specify by notice to the Recipient.

C. Anti-Corruption

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

D. CCT Program

1. Cash Transfers. For the implementation of Part 1 of the Project: (a) the Recipient shall provide Cash Transfers to Beneficiaries in accordance with eligibility criteria and procedures acceptable to the Association and described in the Operations Manual; and (b) the Recipient shall ensure that the amount of each Cash Transfer is used by the Beneficiary for its intended purpose.
2. Funding of the CCT Program. The Recipient shall ensure that under each budget proposal to its legislature for the corresponding year during Project implementation, adequate arrangements are made by the Recipient to assume such portion of the costs related to Cash Transfers and other Project costs, required to achieve the objectives of the Project.
3. Eligibility and DLIs Compliance Verification.
 - (a) The Recipient shall have its Accountant General's office conduct, under the terms of reference acceptable to the Association, annual audits for the purpose of verifying compliance with the Disbursement Linked Indicators. The reports of each such audit shall be furnished to the Association not later than September 30 of each year during the execution of the Project.
 - (b) Without limitation to the provisions of paragraphs A and B of Section II of this Schedule, the Recipient shall have an external auditor verify, as part of the annual audits referred to in Section II.B.3 of this Schedule and under terms of reference and with a minimum coverage satisfactory to the Association, that: (i) Provision of Cash Transfers to Beneficiaries meet eligibility criteria set forth in the Operations Manual; and (ii) the Disbursement Linked Indicators have been complied with.

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 the indicators set forth in the Operations Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five days 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. The Recipient shall prepare and furnish to the Association not later than forty five days after the end of each calendar semester, interim unaudited financial reports for the Project, covering the semester 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 Non-consulting Services.** All goods and non-consulting 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 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 Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and non-consulting Services.

The Procurement Plan shall specify the circumstances under which such methods may be used:

Procurement Method
(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) Selection of Individual Consultants
(b) Single Source Selection of Consulting Firms
(c) Single Source Procedures for the Selection of Individual Consultants
(d) Least Cost Selection

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:

<u>Category</u>	<u>Amount of the Credit Allocated (expressed in SDR)</u>	<u>Percentage of Expenditures to be Financed (inclusive of Taxes)</u>
(1) Cash Transfers under Part 1 of the Project	2,880,000	100% of amounts disbursed
(2) Consultant Services, Goods, Non-consulting Services, Training and Operating Costs for Part 2 of the Project	320,000	100%
TOTAL AMOUNT	3,200,000	

For the purposes of this table:

- (a) the term “Training” means the reasonable cost of training materials and rental of training facilities and equipment; tuition fees, travel and *per-diem* of trainees and non-Recipient trainers; and any other expenses related to training (including study tours and workshops) to be carried out under the Project; and
- (b) the term “Operating Costs” means reasonable cost of recurrent expenditures for the implementation of Part II of the Project, including: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) equipment and computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities; (vii) travel and *per diem* costs for Recipient officials carrying out training, supervisory and quality control activities; and (viii) expenses related to audits other than consultants’ services.

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 aggregate amounts not to exceed equivalent of SDR

480,000 may be made for payments made prior to this date but on or after April 15, 2011, (but in no case more than twelve months prior to the date of this Agreement), for Eligible Expenditures under Category (1).

- (b) for payments made under Category (1) unless all conditions referred to in the additional instructions referred to in Section IV.A.1 of this Schedule (including compliance with the Disbursement Linked Indicators (DLIs), when applicable) have been met by the Recipient in form and substance satisfactory to the Association.

2. If the Association has:

- (a) received evidence of incomplete compliance with any of the DLI(s) that corresponds to the relevant withdrawal referred to in paragraphs 1(a) – (p) of Section IV of the additional instructions (referred to in Section IV.A.1 of this Schedule), then: (i) the Association shall allow the withdrawals up to an aggregate amount not to exceed equivalent of SDR 160,000 for Eligible Expenditures under Category 1 during each semester from November 1, 2011 to the Closing Date; (ii) the Recipient shall submit to the Association a time-bound action plan to achieve, in a manner satisfactory to the Association, compliance with the said DLI(s); and (iii) as soon as the Association is satisfied that such action plan has been implemented, the Association shall authorize the withdrawal of the amount that should have been withdrawn pursuant of paragraph 1 of Section IV of the additional instructions (referred to in Section IV.A.1 of this Schedule), at the time of the next scheduled disbursement; and
- (b) not fully disbursed the withdrawals as provided in any of the paragraphs 1(a) – (p) of Section IV of the additional instructions (referred to in Section IV.A.1 of this Schedule), due to incomplete compliance with the respective DLI(s), then the Association shall authorize the unwithdrawn portion of the Credit resulting from this incomplete compliance to be carried forward to the next semester, up to two semesters, except in so far as the amount by which the withdrawal has been reduced was subsequently disbursed by operation of paragraph 2(a)(iii) above.

3. In the event that the Association has not approved withdrawal by the Recipient of the corresponding amount(s) of the Credit under Category 1 tied to specific DLI(s) within the period set forth in paragraph 2(b) above, the Association may by notice to the Recipient cancel the unwithdrawn corresponding portion(s) of the Credit under such DLI(s) after such period.

4. The Disbursement Linked Indicators shall be as follows:

Disbursement Linked Indicators	Maximum amount to be reimbursed for each DLI for applicable Period* (in SDR Equivalent)
a. The Recipient has taken steps to further consolidate CCT Program through: (a) approval of a special warrant creating a budget line dedicated to the CCT Program; (b) approval of a reallocation warrant to transfer funds to the CCT Program from two existing social safety net programs; and (c) establishment of the Cash Transfer Unit within the MOSD with structure, functions and responsibilities, as well as resources, acceptable to the Association.	160,000
b. Unified management information system is established and single payment cycle is used for effecting Cash Transfers to Beneficiaries under the CCT Program.	160,000
c. 800 individuals, who hitherto had never received Cash Transfers, receive Cash Transfers after their eligibility to become Beneficiaries has been established through the proxy means test.	320,000
d. 70 percent of Beneficiaries are identified as eligible to receive Cash Transfers through the proxy means test.	160,000
e. 70 percent of Beneficiaries have received critical information about the CCT Program including: eligibility criteria, enrollment procedures, conditions for payments, appeals and complaints procedures and exit from the CCT Program.	160,000
f. 70 percent of Beneficiaries are paid based on verification of compliance with applicable education and health conditions set forth in the Operations Manual.	320,000
g. 70 percent of complaints and appeals in relation to the CCT Program are attended to and resolved pursuant to standards and procedures of the CCT Program's appeals and grievance mechanism.	160,000
h. Evaluation report on the CCT Program, focusing on the impact of the program and its processes, is published on the MOSD website.	160,000

*The Period represents the period corresponding to each specific DLI, as provided in Section IV of the additional instructions (referred to in Section IV.A.1 of this Schedule).

5. The Closing Date is December 31, 2015.

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, 2021 to and including April 15, 2031	1%
commencing October 15, 2031 to and including April 15, 2051	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 3.03 (b) of the General Conditions.

APPENDIX

Section I. 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 and revised in January 2011.
2. “Beneficiary” means any individual who meets the eligibility criteria set forth in the Operations Manual to receive Cash Transfers under Part 1 of the Project and is registered under the CCT Program.
3. “Cash Transfer” means a non-refundable grant made by the Recipient to a Beneficiary under the CCT Program in accordance with the provisions of this Agreement and the Operations Manual.
4. “Category” means a category set forth in the table in Section IV.A .2 of Schedule 2 to this Agreement.
5. “Conditional Cash Transfer Program” or “CCT Program” or “Support for Education, Empowerment and Development (SEED)” means the Recipient’s program, adopted by the Recipient’s Cabinet on April 11, 2011, aimed at assisting members of poor households through provision of Cash Transfers conditional on compliance with conditions referred to in the Operations Manual.
6. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
7. “Disbursement Linked Indicators” or “DLIs” means any of the indicators or milestones set forth in Section IV.B.4 of Schedule 2 to this Agreement and in Section IV of the additional instructions (referred to in Section IV.A.1 of Schedule 2 to this Agreement).
8. “Fiscal Year” or “FY” means each fiscal year of the Recipient commencing on January 1 and ending December 31.
9. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
10. “Inter-Ministerial Technical Committee” means the committee established by the Recipient in June 2010 and referred to in Section I.A.2 of Schedule 2 to this Agreement.

11. “Inter-Sectoral Steering Committee” means the committee established by the Recipient’s Cabinet on January 4, 2010 and referred to in Section I.A.1 of Schedule 2 to this Agreement.
12. “Ministry of Education” or “MOE” means the Recipient’s ministry responsible for education or any successor thereto.
13. “Ministry of Finance” or “MOF” means the Recipient’s ministry responsible for finance or any successor thereto.
14. “Ministry of Health” or “MOH” means the Recipient’s ministry responsible for health or any successor thereto.
15. “Ministry of Social Development” or “MOSD” means the Recipient’s ministry responsible for social development or any successor thereto.
16. “Operational Rules” means the norms and procedures adopted by the Recipient for the implementation of the CCT Program by the Recipient as these may be amended from time to time in agreement with the Association.
17. “Operations Manual” means the manual, dated April 29, 2011, approved by the Association on the same date for the operation of the Project and referred to in Section I.B.1 of Schedule 2 to this Agreement, as the same may be amended from time to time with the prior written agreement of the Association.
18. “Procurement Guidelines” means the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” published by the Bank in January 2011.
19. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 29, 2011 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
20. “Project Coordination Unit” means the Project coordination unit maintained within the Recipient’s Ministry of Finance and referred to in Section I.A.4 of Schedule 2 to this Agreement.