CREDIT NUMBER 4065-SLU

Development Credit Agreement

(Water Supply Infrastructure Improvement Project)

between

SAINT LUCIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated June 23, 2005
DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated June 23, 2005, between SAINT LUCIA (the Borrower) and INTERNATIONAL DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to the loan agreement (Loan Agreement) of the same date herewith entered into between the Borrower and the International Bank for Reconstruction and Development (the Bank), has requested the Association to assist in the financing of the Project;

(B) the Borrower also has requested the Bank to provide additional assistance towards the financing of the Project and, pursuant to the Loan Agreement, the Bank is making a loan to the Borrower in the amount of three million eight hundred and fifty thousand Dollars ($3,850,000) (the Loan); and

(C) the Borrower and the Bank intend, to the extent practicable, that the proceeds of the credit provided for in this Agreement (the Credit) be disbursed on account of expenditures in respect of the Project before disbursements of the proceeds of the Loan are made.

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The “General Conditions Applicable to Development Credit Agreements” of the Association, dated January 1, 1985 (as amended through May 1, 2004), with the modifications set forth below (the General Conditions), constitute an integral part of this Agreement:

(a) Section 5.08 of the General Conditions is amended to read as follows:
“Section 5.08. Treatment of Taxes

Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association’s policy of requiring economy and efficiency in the use of the proceeds of its credits. To that end, if the Association shall at any time determine that the amount of any taxes levied on or in respect of any item to be financed out of the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Development Credit Agreement as required to be consistent with such policy of the Association.”

(b) Section 6.03 (c) of the General Conditions is amended by replacing the words “corrupt or fraudulent” with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions, in the Loan Agreement, and in the Preamble to this Agreement have the respective meanings therein set forth.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, an amount in various currencies equivalent to two million six hundred thousand Special Drawing Rights (SDR 2,600,000).

Section 2.02. The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to the Loan Agreement for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the Credit.

Section 2.03. The Closing Date shall be January 15, 2009, or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.
Section 2.04. (a) The Borrower shall pay to the Association a commitment charge on the principal amount of the Credit not withdrawn from time to time at a rate to be set by the Association as of June 30 of each year, but not to exceed the rate of one-half of one percent (1/2 of 1%) per annum.

(b) The commitment charge shall accrue: (i) from the date sixty days after the date of this Agreement (the accrual date) to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or canceled; and (ii) at the rate set as of the June 30 immediately preceding the accrual date and at such other rates as may be set from time to time thereafter pursuant to paragraph (a) above. The rate set as of June 30 in each year shall be applied from the next date in that year specified in Section 2.06 of this Agreement.

(c) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on May 1 and November 1 in each year.

Section 2.07. (a) Subject to paragraphs (b), (c) and (d) below, the Borrower shall repay the principal amount of the Credit in semiannual installments payable on each May 1, and November 1, commencing November 1, 2015 and ending May 1, 2040. Each installment to and including the installment payable on May 1, 2025 shall be one and one-fourth percent (1-1/4%) of such principal amount, and each installment thereafter shall be two and one-half percent (2-1/2%) of such principal amount.

(b) Whenever: (i) the Borrower's per capita gross national product (GNP), as determined by the Association, shall have exceeded for three consecutive years the level established annually by the Association for determining eligibility to access the Association's resources; and (ii) the Bank shall consider the Borrower creditworthy for Bank lending, the Association may, subsequent to the review and approval thereof by the Executive Directors of the Association and after due consideration by them of the development of the Borrower's economy, modify the repayment of installments under paragraph (a) above by:
(A) requiring the Borrower to repay twice the amount of each such installment not yet due until the principal amount of the Credit shall have been repaid; and

(B) requiring the Borrower to commence repayment of the principal amount of the Credit as of the first semiannual payment date referred to in paragraph (a) above falling six months or more after the date on which the Association notifies the Borrower that the events set out in this paragraph (b) have occurred, provided, however, that there shall be a grace period of a minimum of five years on such repayment of principal.

(c) If so requested by the Borrower, the Association may revise the modification referred to in paragraph (b) above to include, in lieu of some or all of the increase in the amounts of such installments, the payment of interest at an annual rate agreed with the Association on the principal amount of the Credit withdrawn and outstanding from time to time, provided that, in the judgment of the Association, such revision shall not change the grant element obtained under the above-mentioned repayment modification.

(d) If, at any time after a modification of terms pursuant to paragraph (b) above, the Association determines that the Borrower's economic condition has deteriorated significantly, the Association may, if so requested by the Borrower, further modify the terms of repayment to conform to the schedule of installments as provided in paragraph (a) above.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

Section 2.09. The Minister of Finance, and any person whom he or she shall designate in writing, is designated as representative of the Borrower for the purposes of taking any action required or permitted to be taken under the provisions of Section 2.02 of this Agreement and Article V of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) Subject to the provisions of Section 3.02 of this Agreement, Sections 3.01, 3.02, 4.01, 4.02, and 5.01 of the Loan Agreement and Schedules 1, 2, 4,
and 5 thereto are incorporated in this Agreement, with the following modifications in said Sections and Schedules unless the context otherwise requires:

(i) the term “Bank” shall be read as “Association”;

(ii) the term “Loan” and “Loan Account” shall be read as “Credit” and “Credit Account”; and

(iii) the term “this Agreement” shall be read as “the Credit Agreement”.

Section 3.02. So long as any part of the Loan provided for under the Loan Agreement shall remain outstanding and unless the Borrower has been notified otherwise by the Association:

(a) all actions taken, including approvals given, by the Bank with respect to any Project-related matter under the Loan Agreement shall be deemed to be taken or given in the name and on behalf of both the Bank and the Association; and

(b) all information or documentation furnished by the Borrower to the Bank with respect to any Project-related matter pursuant to the provisions of the Loan Agreement or the General Conditions Applicable to Loan and Guarantee Agreements for Fixed-Spread Loans of the Bank, dated September 1, 1999 (as amended through May 1, 2004), shall be deemed to be furnished to both the Bank and the Association.

ARTICLE IV

Remedies of the Association

Section 4.01. Pursuant to Section 6.02 (l) of the General Conditions, the following additional event is specified, namely, that:

(a) Subject to subparagraph (b) of this paragraph:

(i) the right of the Borrower to withdraw the proceeds of the Loan made to the Borrower for the financing of the Project shall have been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Loan Agreement providing therefor; or
any such Loan shall have become due and payable prior to the agreed maturity thereof.

(b) Subparagraph (a) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (i) such suspension, cancellation, termination or prematuring is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (ii) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 4.02. Pursuant to Section 7.01 (h) of the General Conditions, the following additional event is specified, namely, that the event specified in paragraph (a) (ii) of Section 4.01 of this Agreement shall occur, subject to the proviso of paragraph (b) of that Section.

ARTICLE V

Effective Date; Termination

Section 5.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that all conditions precedent to the effectiveness of the Loan Agreement have been fulfilled, other than those related to the effectiveness of this Agreement.

Section 5.02. The date September 21, 2005 is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VI

Representative of the Borrower; Addresses

Section 6.01. Except as provided in Section 2.09 of this Agreement, the Minister of the Borrower at the time responsible for Finance is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 6.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:
For the Borrower:

    Office of the Prime Minister
    Greaham Louisy Administrative Building
    Waterfront, Castries
    Saint Lucia

    Facsimile:

    758-453-7352

For the Association:

    International Development Association
    1818 H Street, N.W.
    Washington, D.C. 20433
    United States of America

    Cable address:  Telex:  Facsimile:
    INDEVAS 248423 (MCI) or (202) 477-6391
    Washington, D.C. 64145 (MCI)
IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in the District of Columbia, United States of America as of the day and year first above written.

SAINT LUCIA

By/s/ Sonia M. Johnny
Approved by/s/ Pamela Cox
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

Authorized Representative