The Honourable Allen M. Chastanet
Prime Minister and Minister for Finance,
Economic Affairs, Planning and Social Security
Office of the Prime Minister
Graham Louisy Administrative Building
Waterfront, Castries, Saint Lucia

Re: St. Lucia: Credit No. 4936-LC
(Eastern Caribbean Energy Regulatory Authority Project)
Amendment to the Financing Agreement

Dear Prime Minister:

We refer to the Financing Agreement between St. Lucia (the Recipient) and the International Development Association (the Association) dated September 23, 2011, as amended (the Financing Agreement). We also refer to the Recipient’s request dated July 8, 2015, to amend the Financing Agreement to extend the Closing Date, modify the results indicators, and modify the project management approach to Part B. Capitalized terms used in this letter (Amendment Letter) and not defined herein have the meaning ascribed to them in the Financing Agreement.

We are pleased to inform you that the Association agrees with the Recipient’s request and proposes to amend the Financing Agreement as follows:

1. Section 3.01 of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

“3.01 The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall: (a) cause Part A of the Project to be carried out by the Project Implementing Entity, in accordance with the provisions of Article IV of the General Conditions, the Project Agreement and the OECS Subsidiary Agreement; and (b) carry out Part B of the Project in accordance with the provisions of Article IV of the General Conditions.”

2. Section 4.01(c) of the Financing Agreement shall be deleted in its entirety.

3. Section 4.02 of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

“4.02 The Additional Event of Acceleration consists of the following, namely, that the event specified in paragraph (d) 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."

4. Schedule I of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

"Schedule I
Project Description

The objective of the Project is to establish and operationalize a regional approach to the development of the electricity sector in Participating Countries, by supporting the establishment of the ECERA.

The Project consists of the following parts:

Part A: Setting Up the ECERA

Facilitating the creation and launching of the Eastern Caribbean Energy Regulators Agency (ECERA) by at least two Participating Countries, to act as a technical advisory body supporting the Participant Countries' national regulators in developing common/harmonized policies and regulatory materials all through the provision of technical advisory services, training, operating costs, and the acquisition of goods.

Part B: Operationalizing ECERA

Facilitating the initial two years of its operations, including the provision of technical assistance by ECERA on tasks such as tariff and investment plan reviews, studies for a regional licensing framework for electricity market participants with a particular focus on facilitating the integration of electricity production from renewable sources into the supply mix; all through the provision of technical advisory services, training, operating costs and the acquisition of goods."

5. Section I of Schedule 2 of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

"Section I. Implementation Arrangements

A. Institutional Arrangements

1. Regional Energy Committee (REC)

The Recipient shall appoint to the REC, and maintain at all times during the implementation of the Project, a representative at the level of permanent secretary or other senior official with sufficient decision making authority from its designated Ministry.

2. OECS Secretariat and the Project Management Unit

The Recipient shall maintain, at all times until the completion of the Project, its membership and active participation in OECS. To this end, the Recipient shall cause the Project Implementing Entity, through the Project Management Unit, to carry out
Part A of the Project, including: (a) coordinating the Participating Countries consultation process, and signing of the legal agreement for the establishment of the ECERA; (b) reviewing the progress made towards achieving the Project's objectives at the regional level; (c) facilitating governmental and inter-governmental actions that may be required under the Project, and (d) coordinating the activities under Part A of the Project.

3. National Project Implementation Unit

(a) The Recipient shall maintain, at all times until the completion of the Project, the Project Implementation Unit (PIU) within the Ministry of Finance, with terms of reference and staffing acceptable to the Association.

(b) The Recipient shall, through the PIU, carry out Part B of the Project.

B. Implementation Arrangements

1. OECS Subsidiary Agreement

(a) To facilitate the carrying out of Part A of the Project, the Recipient shall make the proceeds of the Financing available to the Project Implementing Entity on a grant basis, under the OECS Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association, which shall, inter alia, include the following:

(i) the provisions set forth in sections 4.01 through 4.07 and 4.11 of the General Conditions, and applicable to Part A of the Project;

(ii) the obligation of the Project Implementing Entity to comply with the procedures for procurement of goods and consultants' services set forth in the Procurement Plan, and in Section III of this Schedule 2;

(iii) the obligation of the Project Implementing Entity to fully comply in a timely manner with the requirements set forth in Section II.A and II.B of this Schedule 2;

(iv) the obligation of the Project Implementing Entity to exchange views with the Recipient and the Association with regard to the progress of Part A of the Project, and the performance of its obligations under the OECS Subsidiary Agreement;

(v) the obligation of the Project Implementing Entity to promptly inform the Recipient and the Association of any condition which interferes or threatens to interfere with the progress of Part A of the Project, or the performance of its obligations under the OECS Subsidiary Agreement, respectively; and

(vi) the obligation of the Project Implementing Entity to carry out Part A of the Project in compliance with the Anti-Corruption Guidelines.

(b) The Recipient shall exercise its rights and carry out its obligations under the OECS Subsidiary Agreement in such manner as to protect the interests of the Recipient
and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, waive or fail to enforce the OECS Subsidiary Agreement or any of its provisions.

2. Operations Manual

(a) The Recipient shall carry out Part B of the Project and shall cause the Project Implementing Entity to carry out Part A of the Project in accordance with the arrangements, procedures and guidelines set out in the Operations Manual (provided, however, that in case of any conflict between the arrangements and procedures set out in the Operations Manual and the provisions of this Agreement, the provisions of this Agreement shall prevail) and, except as the Association shall otherwise agree in writing, shall not amend, abrogate or waive any provision of the Operations Manual, if such amendment, abrogation or waiver may, in the opinion of the Association, materially or adversely affect the implementation of the Project.

(b) Without limitation upon the provisions of Section I.B.2 (a) immediately above, the Operations Manual sets forth detailed arrangements and procedures for implementation of the Project, including, inter alia: (i) roles, responsibilities, terms of reference and composition of the REC and the PMU respectively; (ii) institutional coordination and day-to-day execution of the Project; (iii) disbursement and financial management procedures for the Project, administrative arrangements, internal control procedures, and flow of funds to support the Project activities; (iv) the final format of the financial statements, chart of accounts and the interim unaudited financial reports for the Project; (v) the procurement procedures and the standard bidding documents to be used for each procurement method as well as the model contracts for the procurement of goods and services; (vi) the procedures for carrying out monitoring, evaluation and reporting of the Project; (vii) the Project monitoring indicators; and (viii) such other administrative, financial, technical and organizational arrangements and procedures as shall be required for the Project.

C. Anti-Corruption

The Recipient shall ensure and cause the Project Implementing Entity to ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.”

6. Section II of Schedule 2 of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

“A. Project Reports

1. The Recipient shall: (a) cause the Project Implementing Entity to monitor and evaluate the progress of Part A of the Project; and (b) monitor and evaluate the progress of Part B of the Project, and shall prepare or cause the Project Implementing Entity to prepare Project Reports for the Respective Parts of the Project, all in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association. Each Project Report shall cover the period of three (3) calendar months, and shall be furnished to the Association not later than forty-five (45) 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 the Project Implementing Entity to maintain or cause to be maintained a financial management system for the Respective Parts of the Project in accordance with the provisions of Section 4.09 of the General Conditions.

2. The Recipient shall prepare or cause the Project Implementing Entity, to prepare and furnish to the Association as part of the Project Report, interim unaudited financial reports for the Respective Parts of the Project covering the three calendar months, in form and substance satisfactory to the Association.

3. The Recipient shall have or cause the Project Implementing Entity, to have the Project consolidated financial statements audited in accordance with the pertinent provisions of this Agreement. Each audit of the consolidated financial statements shall cover the period of one fiscal year of the Project Implementing Entity, and the Recipient, respectively. The consolidated audited financial statements for each such period shall be furnished to the Association not later than six months after the end of such period.”

7. Paragraph 2(b) of Schedule 2, Section IV, Part A of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

“(b) the term “Operating Costs” means the incremental expenses incurred by the Project Implementing Entity or the PIU, on account of Project management and implementation, including, expenses of the REC and the PMU, services of office machines and equipment, bank charges, sundry recurrent expenses, office supplies, consumables, travel costs, travel per diems, and accommodation, but excluding salaries of the Recipient’s officials and civil servants, and the employees of the Project Implementing Entity and the PIU.”

8. Part B of Schedule 2, Section IV of the Financing Agreement shall be deleted and replaced in its entirety with the following text:

“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 November 30, 2018.”

9. Paragraph 5 of the Appendix to the Financing Agreement shall be deleted and replaced in its entirety with the following text:

“5. “ECERA” means the Eastern Caribbean Energy Regulatory Agency, to be established as an advisory body to support the national regulators of the Participating Countries.”

10. Paragraph 6 of the Appendix to the Financing Agreement shall be deleted in its entirety.

11. Paragraph 18 of the Appendix to the Financing Agreement shall be added with the following text:
“18. “Project Implementation Unit” and “PIU” mean the unit referred to in Section I, Part A, paragraph 3 of Schedule 2 to this Agreement.”

Except as stated herein, all the terms and conditions of the Financing Agreement shall remain unchanged and in full force and effect.

Please confirm your agreement with the foregoing Amendment by signing and dating this Amendment in the spaces provided below. This Amendment will be executed in two counterparts, each of which shall be an original and one of which shall be returned to us. Upon receipt by the Association of the countersigned copy of this Amendment, the Amendment shall become effective as of the date of countersignature.

Sincerely,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Sophie Sirtaine
Director
Caribbean Country Management Unit
Latin America and the Caribbean

AGREED AND CONFIRMED:

ST. LUCIA

By:

Authorized Representative

Name: Ezekiel Joseph

Title: Acting Minister of Finance

Date: 6th July 2016

cc: Mr. Alister Smith, Executive Director, The World Bank Group
    Ms Peteranne Tamara Donaldson, Alternate Executive Director, The World Bank Group