Financing Agreement

(Grenada Technical Assistance Project)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated December 19, 2008
FINANCING AGREEMENT

AGREEMENT dated December 19, 2008, entered into between GRENADA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement (“Project”), has requested assistance for the financing of the Project;

WHEREAS the Recipient intends to obtain from the European Union (“Co-financier”) a grant in an amount equivalent to five hundred thousand Euro (€500,000) (“Co-financing”) to assist in financing certain goods and services under the Project under terms and conditions set forth in an agreement (“Co-financing Agreement”) to be entered into between the Recipient and the Association, acting as administrator of a trust fund for this purpose (“Co-financier trust fund”); and

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

NOW THEREFORE, 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 preamble and 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 one million two hundred thousand Special Drawing Rights (SDR 1,200,000) (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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.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 United States Dollars.

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, through its Ministry of Economic Development and Planning, 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, but in no case later than 18 months after the Association’s approval of the Loan which will expire on September 14, 2009.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister of Finance.
5.02. The Recipient’s Address is:

Office of the Prime Minister
Ministerial Complex, 6th Floor
Botanical Gardens
Tanteen, St. Georges
Grenada

Facsimile:
1-473-440-4116

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 248423 (MCI) 1-202-477-6391
Washington, D.C.

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

GRENADA

By /s/ Denis Antoine

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/ Yvonne Tsikata

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to assist the Recipient in improving the environment for private-sector led growth by supporting: (i) the modernization of key public sector institutions; and (ii) the implementation of an export strategy.

The Project consists of the following parts, subject to modifications thereof as the Recipient and the Association may agree upon from time to time to achieve such objective:

Part 1. Customs Modernization

1.1 Improving Customs’ systems and procedures by:

   (a) developing and implementing modern, best practice procedures, such as risk management and post-clearance audits;

   (b) conducting workshops and preparing information brochures to strengthen the capacity and performance of the customs brokerage industry; and

   (c) enhancing cooperation with other governmental agencies, such as the IRD and the Bureau of Standards, to promote compliance with customs laws and regulations.

1.2 Upgrading the information technology by:

   (a) acquiring, configuring, installing and testing the ASYCUDA World software;

   (b) upgrading computers to permit the full functionality of the ASYCUDA World software; and

   (c) facilitating electronic data exchange between the ASYCUDA World software, SIGTAS software and the software used in the Central Statistical Office.

1.3 Building the capacity of management and staff of Customs by carrying out training to:

   (a) establish capacity for audit and valuation;

   (b) establish competence among staff to install, configure and operate the ASYCUDA World software; and
improve customer service.

Part 2. Tax Administration Modernization

2.1 Improving the organization and management of the IRD by:
   (a) reviewing its organizational and management structure;
   (b) developing a three-year corporate plan for the IRD;
   (c) creating a planning and monitoring unit within the IRD;
   (d) improving the IRD’s planning and reporting system through the establishment of monthly performance targets; and
   (e) developing a set of performance indicators that can be automated as part of SIGTAS and the training of personnel to use these indicators.

2.2 Improving taxpayer registration and services by, inter alia:
   (a) strengthening the detection of non-registered taxpayers;
   (b) designing and implementing a system based check to detect and correct duplicated registration and inactive taxpayers; and
   (c) examining the cost/benefit of using tax compliance certificates.

2.3 Improving tax compliance by:
   (a) carrying out a public relations campaign to raise awareness of tax filing deadlines and consequences of failure to file;
   (b) developing and implementing a plan to intensify self-assessment rules for compliant taxpayers; and
   (c) reviewing and modifying, as necessary, the return forms as part of upgrading the information system.

2.4 Strengthening tax collection, enforcement and control by:
   (a) developing a strategy for the collection of arrears;
   (b) establishing and documenting collection and enforcement guidelines; and
   (c) carrying out basic audit training for IRD staff.
2.5 Upgrading information technology within the IRD by:

(a) ensuring that it has the capability to meet the tax enforcement needs and interface with the ASYCUDA World software that is to be installed by Customs; and

(b) providing short-term programming support for the information technology system and training for the information technology counterpart staff.

Part 3. Modernization of Investment Promotion

3.1 Developing a comprehensive investment promotion strategy and action plan for the Recipient through consultations with the relevant stakeholders and drawing on international best practice.

3.2 Implementing the investment promotion strategy based on the action plan by, *inter alia*:

(a) conducting an institutional review of the GIDC to ascertain whether the agency has the necessary skills to fulfill its mandate as an investment promotion agency; and

(b) carrying out training of GIDC staff in relevant areas, including market intelligence, investor contact, services to and aftercare of investors.

3.3 Establishing a investment facilitation network by:

(a) studying the procedural interaction between the GIDC and other government offices involved in the approval of new investments; and

(b) developing and installing an integrated information technology system, including a website dedicated to investment promotion and facilitation, to facilitate communication and transparent and efficient processing of investment applications.

Part 4. Implementation of the Export Strategy

4.1 Improving access to trade information by establishing a trade information network to link potential exporters to new markets and provide timely information on new trade opportunities, markets and products.

4.2 Strengthening the conformity assessment system of the Recipient’s Bureau of Standards by building the capacity of the Bureau’s staff in certification and testing.
Part 5. Project Management

Supporting Project management by, *inter alia*:

(a) providing Project manager and administrative assistant staff positions as well as computer, office equipment and operating costs to the PMU;

(b) providing annual audits for the Project;

(c) providing the incremental cost, incurred by the centralized PCU, associated with assuming the financial management and procurement functions of the Project;

(d) preparing and implementing a communications strategy for the Project; and

(e) providing for the cost of monitoring and evaluation, including the conduct of client surveys.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. The Recipient shall maintain until the completion of the Project:

   (a) a steering committee, appointed by the Recipient’s Cabinet, and headed by the Minister of Economic Development and Planning or his designate, which shall: (i) provide policy guidance to the PMU; (ii) oversee the implementation of the Project; (iii) address implementation bottlenecks; and (iv) monitor and evaluate the progress of Project implementation;

   (b) a Project management unit, within the GIDC, headed by a full-time project manager and supported by an administrative assistant, which shall be responsible for, inter alia: (i) the overall management of the Project, the technical and logistical aspects including the work program, coordinating with the relevant ministries and departments; (ii) the preparation of the terms of reference for consultants hired under the Project; and (iii) preparation of progress reports in a timely manner to the Recipient and the Association;

   (c) a Project coordinating unit within the Recipient’s Ministry of Economic Development and Planning, with strong technical competences in financial management and procurement, which shall assist the Recipient in procurement, disbursement and financial management aspects of the Project; and

   (d) four technical teams (each for each Part of Parts 1-4 of the Project), headed by a technical champion selected by the Minister of Economic Development and Planning, which shall: (i) provide technical input to the terms of reference for consultants hired under the Project; and (ii) oversee the selection of consultants for the Project and monitor their work to ensure quality.

B. Co-financing Agreement

1. To facilitate the carrying out of the Project, the Recipient shall enter into a Co-financing Agreement with the Association, acting as administrator for the Co-financier trust fund, for the purpose of receiving Co-financing for the Project.
2. The Recipient shall execute and deliver all conditions precedent to the effectiveness of, or to the right of the Recipient to make withdrawals under, the Co-financing Agreement.

3. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is June 1, 2010.

C. Anti-Corruption

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

D. Other

1. For the purposes of carrying out the Project, the Recipient shall contribute an amount equivalent to two hundred fifty thousand Dollars ($250,000) as counterpart funds.

2. The Recipient shall carry out the Project in accordance with an Operational Manual, satisfactory to the Association, including the performance indicators and procurement, disbursement and financial management arrangements for the Project.

3. The Recipient shall ensure that the Operational Manual or any part thereof is not amended, waived, suspended or abrogated without the Association’s prior concurrence, and in case of any inconsistency between the provisions of the Operational Manual and those of this Agreement, the provisions of this Agreement shall prevail.

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 agreed with the Association. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than 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 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 45 days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, 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. All goods 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

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods. The following table specifies the methods of procurement, other than International Competitive Bidding, which
may be used for goods. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) National Competitive Bidding</td>
</tr>
<tr>
<td>(b) Shopping</td>
</tr>
<tr>
<td>(c) Direct Contracting</td>
</tr>
</tbody>
</table>

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.

<table>
<thead>
<tr>
<th>Procurement Method</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Quality-based Selection</td>
</tr>
<tr>
<td>(b) Selection under a Fixed Budget</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Selection based on Consultant’s Qualifications</td>
</tr>
<tr>
<td>(e) Single-source Selection</td>
</tr>
<tr>
<td>(f) Selection of Individual Consultants</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Training and Operating Costs for the Project</td>
<td>328,500</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Consultant services for the Project</td>
<td>871,500</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td>1,200,000</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this schedule, the term:

(a) “Training” means the reasonable non-consultant expenditures incurred by the Borrower in connection with the carrying out of training activities (including study tours, workshops, conferences and seminars) under the Project, including travel costs, training materials and per diem of participants, trainers and facilitators; and

(b) “Operating Costs” means sundry recurrent expenses (excluding salaries) directly related to the performance of Project activities, which would not have been incurred absent the Project.

B. **Withdrawal Conditions; Withdrawal Period**

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 October 31, 2011.
**SCHEDULE 3**

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 15 and October 15:</td>
<td></td>
</tr>
<tr>
<td>commencing April 15, 2018 to and including October 15, 2027</td>
<td>1.25%</td>
</tr>
<tr>
<td>commencing April 15, 2028 to and including October 15, 2042</td>
<td>2.5%</td>
</tr>
</tbody>
</table>

* 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

Definitions

1. “ASYCUDA World” means the World version of the automated system for customs data developed by the United Nations Conference on Trade and Development.


4. “Customs” means the Recipient’s Customs and Excise Department.

5. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006).


7. “IRD” means the Recipient’s Inland Revenue Department.

8. “Operational Manual” means the manual dated February 11, 2008 for the operation of the Project referred to in Section I.D.2 of Schedule 2 to this Agreement as the same maybe amended from time to time.

9. “PCU” means the unit referred to in Section I.A.1 (c) of Schedule 2 to this Agreement.

10. “PMU” means the unit referred to in Section I.A.1 (b) of Schedule 2 to this Agreement.


12. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated January 31, 2008 and referred to in paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
13. “SIGTAS” means standard integrated government tax administration system.