CONFORMED COPY

The Honorable Nazim Burke  
Minister  
Ministry of Finance, Planning, Economy, Energy and Cooperatives  
Financial Complex, the Carenage  
St. George’s  
GRENADA, W.I.

Re: Grenada: JSDF Grant for Small Farmer Vulnerability Reduction Initiative  
Project Grant No. TF097967

Dear Minister:

In response to the request for financial assistance made on behalf of Grenada (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development (“World Bank”), as administrator of grant funds provided by Japan under the Japan Social Development Fund, proposes to extend to the Recipient a grant in an amount not to exceed one million United States Dollars ($1,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”). This Grant is funded out of the Japan Social Development Fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement with the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.
Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned copy of this Agreement by April 4, 2011 unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By pp Alan G. Carroll
Yvonne M. Tsikata
Country Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

GRENADA

By /s/ Nazim Burke
Authorized Representative

Title: Minister for Finance

Date: December 8, 2010

Enclosures:


(3) “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”)
Article I

Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank Out of Various Funds dated July 31, 2010 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement and the following additional terms have the following meanings:

   (a) “ADRC” means Agricultural Disaster Response Committee, a committee comprised of representatives of the GCNA, representatives of the MNIB, representatives of the GCA, a representative of MOF and a representative of MOA.

   (b) “Beneficiaries” means small scale farmers located within the territory of the Recipient and selected based on the criteria, to be establish the Operational Manual (as defined below).

   (c) “Grenada Cocoa Association (GCA)” means a non-governmental organization, established on July 1, 1989 and operating pursuant to Act 4, Chapter 128.

   (d) “Grenada Cooperative Nutmeg Association (GCNA)” means a non-governmental organization, established on March 8, 1947 and operating pursuant to Act 40, Chapter 215.

   (e) “Marketing and National Importing Board (MNIB)” means a non-governmental organization, established on October 5, 1987 and operating pursuant to Act 20, Chapter 183.

   (f) “MOA” means the Recipient’s Ministry of Agriculture or any successor thereto.

   (g) “MOF” means Recipient’s Ministry of Finance or any successor thereto.

   (h) “Operational Manual” means the manual for operation of the Project referred to in Section 2.03 (b) of this Agreement, as the same may be amended from time to time with the agreement of the World Bank.

Article II

Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to support the Recipient’s efforts to provide assistance to small scale farmers on its territory to cope with the recent global financial and food crisis and weather fluctuations through a system of incentives to improve: (i) the use of agriculture input; (ii) the adoption of water management technology; and (iii) the carrying out of livestock practices. The Project consists of the following parts:
Part 1: Incentives for the Adoption of Improved Technologies and On-farm Capitalization

Carrying out of a program of activities (“Program of Activities”) to support the Beneficiaries adoption of agriculture technologies and on-farm capitalization, through the provision of grants to partially cover the costs of improved technologies and inputs.

Part 2: Project Monitoring and Evaluation

(a) Carrying out of the monitoring and evaluation of the Project activities, including, \textit{inter alia}: (i) the creation of a Beneficiaries’ baseline; and (ii) the carrying out of an assessment to evaluate the impact of Project activities on Beneficiaries.

(b) Provision of technical advisory services to prepare and disseminate a report reflecting the findings of the activities carried out under Part 2 (a) of the Project, including, \textit{inter alia}: (i) lessons learned from the implementation of the Project; and (ii) recommendations to improve the future implementation of similar projects.

Part 3: Project Management

Provision of technical advisory services and operating costs to support the carrying out of the fiduciary aspects and administration of the Project by the Recipient, through MOF.

2.02. \textit{Project Execution Generally.} The Recipient declares its commitment to the objectives of the Project. To this end the Recipient, through: (a) MOF shall maintain a project implementing unit (the “Project Implementing Unit” or PIU) to provide overall coordination of the Project including, \textit{inter alia}, carrying out the fiduciary (i.e., financial management and procurement), monitoring and evaluation aspects of the Project; and (b) MOA, in coordination with GNA, GCNA, MNIB and other related agencies, shall be responsible for the implementation of the technical advisory aspects of Part 1 and Part 2 of the Project, under the guidance of the ADRC, all in accordance with: (i) the provisions of Article II of the Standard Conditions; (ii) the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 (“Anti-Corruption Guidelines”), with the modifications set forth in the Appendix to this Agreement; (iii) this Article II ; and (iv) the Operational Manual.

2.03. \textit{Institutional and Other Arrangements.}

(a) \textit{Annual Program of Activities.}

(i) The Recipient shall prepare and furnish to the World Bank for the purpose of carrying out Part 1 of the Project, each calendar year, a proposed program of activities for the inclusion in the Program of Activities during the following calendar year (“Annual Program of Activities”), together with a proposed budget and financing plan for such activities; and

(ii) the Recipient shall exchange views with the World Bank on each proposed Annual Program of Activities, and shall thereafter adopt and carry out such program of activities for such following calendar year as shall have been agreed with the World Bank, as such program of activities may be
subsequently revised during such following calendar year with the agreement of the World Bank.

(b) **Operational Manual.**

(i) The Recipient shall carry out the Project, and cause the Project to be carried out, in accordance with the provisions of a manual satisfactory to the World Bank (the “Operational Manual”), which shall include, *inter alia*: (A) the guidelines and eligibility criteria for the selection of the Beneficiaries of the Project; (B) the guidelines and procedures to prepare and adopt the Annual Program of Activities; (C) the Project implementation indicators, including the procedures for monitoring and evaluation of the Project activities; and (D) the Project disbursement and procurement procedures, including the Procurement Plan;

(ii) except as the Recipient and the World Bank may otherwise agree in writing, the Recipient shall not abrogate, amend, suspend, waive or otherwise fail to enforce the Operational Manual or any provision thereof; and

(iii) in case of any conflict among the terms of the Operational Manual and this Agreement, the provisions of this Agreement shall prevail.

(c) **Safeguards.**

(i) The Recipient, through the MOF, shall prepare and adopt in form and substance satisfactory to the World Bank, the environmental and social safeguard instruments, as may be required for the Project, including, *inter alia*, any pest management, environmental management plan or resettlement plan all in form and substance acceptable to the World Bank; and

(ii) thereafter, at all times, the Recipient shall carry out the Project in accordance with environmental and social safeguards referred to in Section (c) (i) immediately above.

2.04. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than 45 days after the end of each calendar semester, covering semester in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such 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 World Bank not later than six months after the end of such period.
2.05.  **Procurement**

(a) **General.** All goods and services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”), in the case of consultants’ services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Goods**

(i) Except as otherwise provided in sub-paragraph (ii) below, goods shall be procured under contracts awarded on the basis of National Competitive Bidding, using an IDA approved standard bidding document.

(ii) The following methods, other than National Competitive Bidding, may be used for procurement of goods for those contracts specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Procurement Guidelines for their use: (A) Shopping; and (B) Direct Contracting;

(d) **Particular Methods of Procurement of Consultants’ Services**

(i) Except as otherwise provided in sub-paragraph (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality-and Cost-based Selection.

(ii) The following methods may be used for the procurement of consultants’ services for those assignments which are specified in the Procurement Plan which the World Bank agrees meet the requirements set forth in the Consultant Guidelines for their use: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection
based on Consultants’ Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants; and (G) Sole Source Procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank’s Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. (a) The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (i) Article III of the Standard Conditions; (ii) this Section; and (iii) such additional instructions as the World Bank may 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 World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant (“Category”), the allocations of the amounts of the Grant 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 Grant Allocated (expressed in U.S.$)</th>
<th>Percentage of Expenditures to be Financed inclusive of Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Operating Costs, goods, consultants’ services, and Training for Part 1 of the Project (each agreed in the Annual Program of Activities)</td>
<td>$841,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Operating Costs, goods, consultants’ services, and Training for Parts 2 and 3 of the Project.</td>
<td>$159,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>$1,000,000</td>
<td></td>
</tr>
</tbody>
</table>

(b) For the purposes of this Section:

(i) The term “Training” means approved training and workshops related to the Project, including purchase and publication of materials, rental of facilities, course fees, and travel and subsistence of trainees; and

(ii) the term “Operating Costs” means reasonable expenditures for Project administration, including consumable materials and supplies, communications, mass media and printing services, vehicle rental, operation and maintenance, charges for the opening and operation of bank accounts required for the
Project, and travel, lodging and *per diems*, but excluding salaries of officials of the Recipient’s civil service.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is four years after the date of countersignature of this Agreement by the Recipient.

**Article IV**

**Termination**

4.01. **Termination for Lack of Implementation or Disbursement.** This Agreement and all obligations of the parties under it shall terminate if it has not been implemented or has not disbursed any funds during six months following its signature, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

**Article V**

**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance Planning, Economy, Energy and Cooperatives.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance, Planning, Economy, Energy and Cooperatives  
Financial Complex, the Carenage  
St. George’s  
GRENADA, W.I.

Facsimile: 1-473-440-4115

5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Cable: INTBAFRAD  
Telex: 248423 (MCI) or 64145 (MCI)  
Facsimile: 1-202-477-6391
APPENDIX

Modifications to the Anti-Corruption Guidelines

The modifications to the Anti-Corruption Guidelines are as follows:

1. Section 5 is re-numbered as Section 5(a) and a new Section 5(b) is added to read as follows:

“…(b) These Guidelines also provide for the sanctions and related actions to be imposed by the Bank on Borrowers (other than the Member Country) and all other individuals or entities who are recipients of Loan proceeds, in the event that the Borrower or the individual or entity has been debarred by another financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

2. Section 11(a) is modified to read as follows:

“… (a) sanction in accordance with prevailing Bank’s sanctions policies and procedures (fn13) a Borrower (other than a Member Country) (fn 14) or an individual or entity, including (but not limited to) declaring such Borrower, individual or entity ineligible publicly, either indefinitely or for a stated period of time: (i) to be awarded a Bank-financed contract; (ii) to benefit from a Bank-financed contract, financially or otherwise, for example as a sub-contractor; and (iii) to otherwise participate in the preparation or implementation of the project or any other project financed, in whole or in part, by the Bank, if at any time the Bank determines (fn 15) that such Borrower, individual or entity has engaged in corrupt, fraudulent, collusive, coercive or obstructive practices in connection with the use of loan proceeds, or if another financier with which the Bank has entered into an agreement for the mutual enforcement of debarment decisions has declared such person or entity ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such financier that the Borrower or the individual or entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

Footnotes:

“13. An individual or entity may be declared ineligible to be awarded a Bank financed contract upon completion of sanctions proceedings pursuant to the Bank’s sanctions policies and procedures, or under the procedures of temporary suspension or early temporary suspension in connection with an ongoing sanctions proceeding, or following a sanction by another financier with whom the Bank has entered into a cross debarment agreement, as a result of a determination by such financier that the firm or individual has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.”

“14. Member Country includes officials and employees of the national government or of any of its political or administrative subdivisions, and government owned enterprises and agencies that are not eligible to bid under paragraph 1.8(b) of the Procurement Guidelines or participate under paragraph 1.11(c) of the Consultant Guidelines.”
“15. The Bank has established a Sanctions Board, and related procedures, for the purpose of making such determinations. The procedures of the Sanctions Board sets forth the full set of sanctions available to the Bank. In addition, the Bank has adopted an internal protocol outlining the process to be followed in implementing debarments by other financiers, and explaining how cross-debarments will be posted on the Bank’s website and otherwise be made known to staff and other stakeholders.”