July 2, 2013

Hon. Kenny D. Anthony
Prime Minister and Minister for Finance
Office of the Prime Minister
Grahem Louisy Administrative Building
Waterfront, Castries
Saint Lucia

Re: Saint Lucia: Advance Agreement for Preparation of Proposed Disaster
Vulnerability Reduction Project
Preparation Advance No. Q8570-SLU

Excellency:

In response to the request for financial assistance made on behalf of Saint Lucia (“Recipient”), I am pleased to inform you that the International Development Association (“World Bank”) proposes to extend to the Recipient an advance out of the World Bank’s Project Preparation Facility in an amount not to exceed one million eight hundred fifty two thousand five hundred Dollars ($1,852,500) (“Advance”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing the activities described in the Annex (“Activities”). The objective of the Activities is to facilitate the preparation of a proposed program designed to reduce vulnerability to natural hazards and climate change impacts in the Recipient’s territory (“Project”), in support of which the Recipient has requested the World Bank’s financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of IBRD or IDA to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient’s agreement to 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Agreement shall be deemed withdrawn if the World Bank has not received this countersigned copy within sixty (60) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,

INTERNATIONAL DEVELOPMENT ASSOCIATION

By ________________
Françoise Clottes
Director
Caribbean Country Management Unit
Latin America and the Caribbean Region

AGREED:

SAINT LUCIA

By: ________________
Authorized Representative

Kenny D. Anthony

Title: ________________
Minister of Finance

Date: ________________
JULY 18, 2013

Enclosures:


(2) Disbursement Letter for the Advance of the same date as this Agreement, together with “World Bank Disbursement Guidelines for Projects”, dated May 1, 2006.
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility 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 meaning:

(a) "MITPS" means the Recipient’s Ministry of Infrastructure, Transport and Port Services, or any successor thereto.

(b) "MOFEAPSS" means the Recipient’s Ministry of Finance, Economic Affairs, Planning and Social Security, or any successor thereto.

(c) "Operating Costs" means reasonable recurrent expenses incurred by the Recipient on account of Project implementation, including office equipment and supplies, reasonable commercial banking charges and fees, and office administration costs.

(d) "PCU" means the Project coordinating unit established within the MOFEAPSS and referred to in Section 2.03 of this Agreement.

(e) "WASCO" means the Recipient’s Water and Sewage Company established pursuant to the Companies Act (CAP 13.01) of the laws of the Recipient.

(f) "World Bank’s Safeguard Policies" means the World Bank’s operational policies and procedures set for in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.WorldBank.org/opmanual.

Article II
Execution of the Activities

2.01. **Description of the Activities.** The Activities for which the Advance is provided consist of the following parts:

(a) Carrying out social and environmental safeguards assessments and developing the related safeguards instruments.

(b) (i) Asssessing the market conditions to determine the Recipient’s current needs and financing constraints through the carrying out of a demand and supply side analysis; and (ii) designing the Climate Adaptation Loan Facility (CUTF) based on the findings of the said analysis.

(c) Conducting a structural and vulnerability assessment of Soufriere Hospital for the design of rehabilitation works to be carried out under the Project.
(d) Carrying out a feasibility study for the enhancement of coral and sea grass.

(e) Developing materials and plans needed for the carrying out of public awareness campaigns on climate change adaptation during Project implementation.

(f) Carrying out of a study to establish baseline for the Public Awareness campaign on climate change adaptation.

(g) Building the capacity of the MITPS to meet the demands of frequent hazards resulting from storms and hurricanes, including, *inter alia*: preparing specific TORs, designs and drawings that take into account hazard information and climate risk factors through the provision of technical assistance and training.

(h) Conducting technical studies and developing designs for specific works to be financed under the proposed Project.

(i) Providing support to the Recipient’s Accountant General to enable the use of country systems for financial management.

(j) Enhancing the capacity of the PCU, through: (i) the recruitment of key personnel; (ii) the provision of goods; and (iii) the financing of the PCU’s Operating Costs.

(k) Redesigning and supervising the construction of the Varnard intake.

(l) Conducting a study to produce scientifically derived information to support decision-making in developing a policy on sewage management with WASCO.

(m) Financing the acquisition of meters for the WASCO non-revenue water programme.

2.02. Execution of the Activities Generally. The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities through the MOFEAPSS with the assistance of its PCU in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. Institutional and Other Arrangements. For the purposes of carrying out the activities, the Recipient shall:

(a) maintain the PCU with key personnel with qualifications, experience, functions and responsibilities satisfactory to the World Bank.

(b) ensure the PCU: (i) carries out all Project-related functions including, *inter alia*: procurement, financial management, reporting, auditing, monitoring and evaluation; (ii) collaborates with relevant key-line ministries and agencies for technical inputs to TORs and bidding documents.

(c) ensure that the terms of reference for any technical assistance provided under the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall
require that the advice conveyed through such technical assistance be consistent with the requirements of the World Bank’s Safeguard Policies.

2.04. Monitoring, Reporting and Evaluation of the Activities. The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. Financial Management. (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

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

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. Procurement

(a) General. All goods, non-consulting services and consultants’ services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the “Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Procurement Guidelines”), in the case of goods and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“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 Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.
(c) **Particular Methods of Procurement of Goods and Non-consulting Services**

(i) Except as otherwise provided in item (ii) below, goods and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods may be used for procurement of goods and non-consulting services: (A) National Competitive Bidding; (B) Shopping; and (C) Direct Contracting.

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

(i) Except as otherwise provided in item (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: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants’ Qualifications; (E) Single-source Selection of consulting firms; (F) Selection of Individual Consultants; and (G) Single-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 the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) 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 each category of Eligible Expenditures that may be financed out of the proceeds of the Advance (“Category”), the amount of the Advance allocated 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 Advance Allocated (expressed in Dollars)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) consultants’ services, goods, non-consulting services and Operating Costs</td>
<td>1,852,500</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,852,500</td>
<td></td>
</tr>
</tbody>
</table>

3.02. **Refinancing Date.** The Refinancing Date is March 17, 2014.

**Article IV**

**Terms of the Advance**

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) **Refinancing under the Refinancing Agreement:** If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) **Repayment in the absence of a Refinancing Agreement:** If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

(i) if the amount of the Withdrawn Advance Balance does not exceed $50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
(ii) if the amount of the Withdrawn Advance Balance exceeds $50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the “Aggregate Balance”) shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates (“Payment Dates”) which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment Date be set earlier than 60 days following the date (“Notice Date”) of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V
Recipient's Representative; Addresses

5.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its Minister responsible for finance.

5.02. **Recipient's Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

5.03 The Recipient’s Address is:

Graham Louisy Administrative Building
Waterfront, Castries
Saint Lucia

Facsimile:

1-758-452-6700

5.04. **World Bank’s Address.** The World Bank’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable: Telex: Facsimile:

INDEVAS 248423 (MCI) or 1-202-477-6391
Washington, D.C. 64145 (MCI)