

CHAPTER 85D
ECONOMIC AND SOCIAL DEVELOPMENT POLICY LOAN
AUTHORISATION ACT

• Act • Subsidiary Legislation •

ACT

Act No. 14 of 2010

ARRANGEMENT OF SECTIONS

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|----------|--------------------------|
| 1. | Short title. |
| 2. | Authority to raise loan. |
| Schedule | Agreements |

CHAPTER 85D
ECONOMIC AND SOCIAL DEVELOPMENT POLICY LOAN
AUTHORISATION ACT

An Act to authorise the Minister of Finance to borrow from the International Development Association and the International Bank for Reconstruction and Development an amount of eight million United States Dollars.

[Act No. 14 of 2010.]

[15th July, 2010.]

1. Short title

This Act may be cited as the Economic and Social Development Policy Loan Authorisation Act, 2010.

2. Authority to raise loan

(1) The Minister of Finance is hereby authorised to raise a loan of an amount of eight million United States Dollars for the purposes of improving public sector governance, economic management, the effectiveness and efficiency of social safety nets, and the business environment, in addition to promoting the financial sector stability.

(2) The loan specified in subsection (1) is to be raised as follows—

- (a) an amount of four million five hundred thousand United States dollars from the International Bank for Reconstruction and Development; and
- (b) an amount of two million three hundred thousand Special Drawing Rights, (SDR 2,300,000), equivalent to three million five hundred thousand United States Dollars from the International Development Association.

(3) All monies borrowed under this Act shall be effected and secured pursuant to the terms and conditions specified in the Schedule.

Schedule

ECONOMIC AND SOCIAL DEVELOPMENT POLICY LOAN AUTHORISATION
ACT

Agreements
[Section 2(2).]

CREDIT NUMBER GRD

FINANCING AGREEMENT

(Economic and Social Development Policy Loan)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated....., 20.....

FINANCING AGREEMENT

Agreement dated, 20....., entered into between GRENADA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Association has decided to provide this financing on the basis, inter alia, of (a) the actions which the Recipient has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement, and (b) the Recipient’s maintenance of an appropriate macroeconomic policy framework.

The Recipient has also requested the International Bank for Reconstruction and Development (the Bank), to provide additional financing in support of the Program, and by an agreement of even date herewith between the Borrower and the Bank (the IBRD Loan Agreement), the Bank is agreeing to provide such assistance in an amount of four million five hundred thousand Dollars (\$4,500,000).

The Recipient and the Association therefore 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 capitalised terms used in this Agreement have the meanings ascribed to them in the General Conditions or in 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 two million three hundred thousand Special Drawing Rights (SDR 2,300,000) (variously, “Credit” and “Financing”).

- 2.02 The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 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 ($\frac{1}{2}$ 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 ($\frac{3}{4}$ of 1%) per annum.
- 2.05 The Payment Dates are May 15 and November 15 in each year.
- 2.06 The principal amount of the Credit shall be repaid in accordance with repayment schedule set forth in Schedule 2 to this Agreement.
- 2.07 The Payment Currency is Dollar.

ARTICLE III

Program

- 3.01 The Recipient declares its commitment to the Program and its implementation. To this end—
- (a) the Recipient and the Association shall from time to time, at the request of either party, exchange views on the Recipient's macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Recipient shall furnish to the Association for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Association shall reasonably request; and
 - (c) without limitation upon the provisions of paragraphs (a) and (b) of this section, the Recipient shall promptly inform the Association of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV

Remedies of the Association

- 4.01 The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02 The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V

Effectiveness; Termination

- 5.01 The Additional Conditions of Effectiveness consists of the following—
- (a) the Association is satisfied with the progress achieved by the Recipient in carrying out the Program and with the adequacy of the Recipient's macroeconomic policy framework;
 - (b) the IBRD Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals thereunder (other than the effectiveness of this Agreement) have been fulfilled.

- 5.02 Without prejudice upon 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 eighteen (18) months after the Association's approval of the Credit.

ARTICLE VI

Representative; Addresses

- 6.01 The Borrower's Representative is its Minister responsible for finance.

- 6.02 The Borrower's Address is—

Ministry of Finance, Planning, Economy, Energy, Cooperatives
Financial Complex
The Carenage
St. George's, GRENADA
Facsimile: 1-473-440-4115

- 6.03 The Association's Address is—

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

Cable address:	Telex:	Facsimile:
INDEVAS	248423(MCI)	1-202-47-6391
Washington, D.C.		

Agreed at, as of the day and year first above written.

GRENADA

By

.....

Authorised Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

.....

Authorised Representative

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

SECTION I

Actions under the Program

The actions taken by the Borrower under the Program include the following—

Improving Public Sector Governance and Economic Management

1. The Recipient—

- (a) through its Parliament, has enacted the Value Added Tax Act, and said Act is in full force and effect;
 - (b) has made the VAT Implementation Unit functional with adequate staffing and resources; and
 - (c) has issued the regulations to the Value Added Tax Act to implement the VAT.
2. The Recipient, through its Ministry of Finance, has—
- (a) restructured said Ministry's Department of Economic Affairs and created, as a result of said restructuring the Economic Management and Planning Division, which structure includes—
 - (a) a budget unit;
 - (b) a macro policy unit; and
 - (c) a debt management unit, to sharpen analytical underpinnings of policy framework and to improve economic management as part of the institutional reform of said Ministry; and
 - (b) allocated in the Recipient's annual budgets for FY 2009 and FY 2010 adequate financial resources to support the function of said Division.
3. The Recipient, through its Ministry of Finance, has—
- (a) established a waste reduction unit to improve efficiency and introduce cost cutting measures with respect to regular monitoring of use of fuel consumption, and government vehicles and other potential sources of waste; and
 - (b) allocated in the Recipient's annual budget FY 2010 adequate financial resources to support the function of the said unit.

Improving Effectiveness and Efficiency of Social Safety Nets

4. The Recipient has—
- (a) completed a Social Safety Net Assessment; and
 - (b) conducted subsequent stakeholder consultations on the results of said assessment.
5. The Recipient through its Ministry of Finance has established a social safety net committee to spearhead reform efforts of its Social Safety Net System.

Promoting Financial Sector Stability and Improving Business Environment

6. The Recipient, through its High Court, has appointed a judicial manager to perform a review of BAICO's within the Borrower's territory, with a view to recommending an orderly resolution in connection with the insolvency of BAICO.
7. The Recipient, through its Parliament, has enacted the Insurance Act, and said Act is in full force and effect.
8. The Recipient, through its Parliament, has enacted the Investment Promotion Act, and the said Act is in full force and effect.
9. The Recipient has—
- (i) amended the Deeds and Land Registry Act, Chapter 79, through the enactment of the Deeds and Land Registry (Amendment) Act No. 21 of 2009, and
 - (ii) enacted the Corporate Affairs and Intellectual Property Act No. 19 of 2009, to establish a separate deeds and land registry, and a separate corporate affairs and intellectual property office, respectively from the office of the Registrar of the High Court.

SECTION II

Availability of Financing Proceeds

A. General. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of this Section and such additional instructions as the Association may specify by notice to the Recipient.

B. Allocation of Financing Amounts. The Financing is allocated in a single tranche, from which the Recipient may make withdrawals of the Financing. The allocation of the amounts of the Financing to this end is set out in the table below—

<i>Allocations</i>	<i>Amount of the Financing Allocated (expressed in SDR)</i>
(1) Single Withdrawal Tranche	2,300,000
TOTAL AMOUNT	2,300,000

Deposits of Financing Amounts

C. Except as the Association may otherwise agree—

1. all withdrawals from the Financing Account shall be deposited by the Association into an account designated by the Recipient and acceptable to the Association; and
2. the Recipient shall ensure that upon each deposit of an amount of the Financing into this account, an equivalent amount is accounted for in the Recipient's budget management system, in a manner acceptable to the Association.

Excluded Expenditures

D. The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

Closing Date

E. The Closing Date is June 30, 2011.

SCHEDULE 2

Repayment Schedule

<i>Date Payment Due</i>	<i>Principal Amount of the Credit repayable (expressed as a percentage)*</i>
On each May 15 and November 15:	
commencing November 15, 2020 to and including May 15, 2030	1.25%
commencing November 15, 2030 to and including May 15, 2045	2.5%

* 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

SECTION I

Definitions

1. “BAICO” means the British American Insurance Company, which operates across the Caribbean region (including the territory of the Recipient), and currently under judicial management in the Recipient’s territory.

2. “Excluded Expenditure” means any expenditure—

- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;
- (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986) (the SITC), or any successor groups or sub-groups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<i>Group</i>	<i>Sub-group</i>	<i>Description of Item</i>
112		Alcoholic beverages
121		Tobacco, un-manufactured, tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewellery of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (b) for goods intended for a military or paramilitary purpose or for luxury consumption;
- (c) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
- (d) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
- (e) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

3. “Fiscal Year” and “FY” mean the Recipient’s fiscal year which commences on January 1 and ends on December 31 of each year.

4. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) with the modifications set forth in Section II of this Appendix.

5. “High Court” means the court established pursuant to the Recipient’s West Indies Associated States Supreme Court (Grenada) Act, Chapter 336.

6. “IBRD Loan Agreement” means the agreement between the Recipient and the Bank in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. “IBRD Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.

7. “Insurance Act” means the Recipient’s Insurance Act No. 5 of 2009, which governs, inter alia, the regulation of the insurance business in the Recipient’s territory.

8. “Investment Promotion Act” means the Recipient’s Investment Act No. 22 of 2009, which governs, inter alia, the promotion and facilitation of investment in the territory of the Recipient.

9. “Ministry of Finance” means the Recipient’s Ministry of Finance, Planning, Economy, Energy and Cooperatives, the Ministry responsible for finances of the Recipient.

10. “Parliament” means the legislative assembly of the Borrower.

11. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated from the Recipient to the Association declaring the Recipient’s commitment to the execution of the Program, and requesting assistance from the Association in support of the Program during its execution.

12. “Registrar of the High Court” means the registrar of the High Court of the Recipient appointed pursuant to Section 88 of the Recipient’s Constitution.

13. “Single Withdrawal Tranche” means the amount of the Financing allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

14. “Social Safety Net Assessment” means the social safety net assessment set forth in the Recipient’s report titled “Grenada Social Safety Net Assessment” dated August 2009.

15. “Social Safety Net System” means the Recipient’s social protection system consisting of non-contributory transfer programs designed to provide support to the poor or the vulnerable groups.

16. “VAT Unit” means the unit within the Recipient’s Ministry of Finance, and responsible for administration of the Value Added Tax.

17. “Value Added Tax Act” means the Recipient’s Value Added Tax Act No. 23 of 2009, which governs the application and collection of the value added tax.

SECTION II

Modifications to the General Conditions

The modifications to the “International Development Association General Conditions for Credits and Grants”, dated July 1, 2005 (as amended through October 15, 2006) are as follows—

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows—

“Section 2.05. Refinancing Preparation Advance—

If the Financing Agreement provides for the repayment out of the proceeds of the Financing of an advance made by the Association or the Bank (“Preparation Advance”), the Association shall, on behalf of the Recipient, withdraw from the Financing Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Financing Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Association shall pay the amount so withdrawn to itself or the Bank, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. Sections 4.01 (*Project Execution Generally*), and 4.09 (*Financial Management; Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

5. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

6. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows—

“Section 4.06. Plans; Documents; Records—

(c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association’s representatives to examine such records.”

7. Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows—

“Section 4.07. Program Monitoring and Evaluation—

(c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing.”

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly—

- (a) The definition of the term “Eligible Expenditure” is modified to read as follows—

“Eligible Expenditure” means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement.”

- (b) The term “Financial Statements” and its definition as set forth in the Appendix are deleted in their entirety.
- (c) The term “Project” is modified to read “Program” and its definition is modified to read as follows—

“ ‘Program’ means the program referred to in the Financing Agreement in support of which the Financing is made.” All references to “Project” throughout these General Conditions are deemed to be references to “Program”.

- (d) The term “Program Preparation Advance” (renamed as such pursuant to subparagraph 8(c) above) is modified to read “Preparation Advance” and its definition is modified to read as follows—

“‘Preparation Advance’ means the advance referred to in the Financing Agreement and repayable in accordance with Section 2.05.”

LOAN NUMBER

GRD

LOAN AGREEMENT

(Economic and Social Development Policy Loan)

between

GRENADA

and

International Bank for Reconstruction and Development

Dated, 20.....

LOAN AGREEMENT

Agreement dated....., 20....., entered into between GRENADA (“Borrower”) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (“Bank”) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of—

- (a) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and
- (b) the Borrower’s maintenance of an appropriate macroeconomic policy framework.

The Borrower has also requested the International Development Association (“Association”), to provide additional assistance in support of the Program, and by an agreement of even date herewith between the Borrower and the Association (“Financing Agreement”), the Association is agreeing to provide such assistance in an aggregate principal amount equivalent to two million three hundred thousand Special Drawing Rights (SDR 2,300,000).

The Borrower and the Bank therefore 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 capitalised terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II

Loan

- 2.01 The Bank agrees to lend to the Borrower, on the terms and conditions set forth or referred to in this Agreement, the amount of four million five hundred thousand Dollars (\$4,500,000), as such amount may be converted from time to time through a Currency Conversion in accordance with the provisions of Section 2.07 of this Agreement (“Loan”).
- 2.02 The Borrower may withdraw the proceeds of the Loan in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

- 2.03 The Front-end Fee payable by the Borrower shall be equal to one quarter of one percent (0.25%) of the Loan amount.
- 2.04 The interest payable by the Borrower for each Interest Period shall be at a rate equal to LIBOR for the Loan Currency plus the Fixed Spread; provided, that upon a Conversion of all or any portion of the principal amount of the Loan, the interest payable by the Borrower during the Conversion Period on such amount shall be determined in accordance with the relevant provisions of Article IV of the General Conditions.
- 2.05 The Payment Dates are May 15 and November 15 in each year.
- 2.06 The principal amount of the Loan shall be repaid in accordance with the amortisation schedule set forth in Schedule 2 to this Agreement.
- 2.07 (a) The Borrower may at any time request any of the following Conversions of the terms of the Loan in order to facilitate prudent debt management—
- (i) a change of the Loan Currency of all or any portion of the principal amount of the Loan, withdrawn or unwithdrawn, to an Approved Currency, and
 - (ii) a change of the interest rate basis applicable to all or any portion of the principal amount of the Loan withdrawn and outstanding from a Variable Rate to a Fixed Rate, or vice versa.
- (b) Any conversion requested pursuant to paragraph (a) of this Section that is accepted by the Bank shall be considered a “Conversion”, as defined in the General Conditions, and shall be effected in accordance with the provisions of Article IV of the General Conditions and of the Conversion Guidelines.
- (c) Promptly following the Execution Date for an Interest Rate Cap or Interest Rate Collar for which the Borrower has requested that the premium be paid out of the proceeds of the Loan, the Bank shall, on behalf of the Borrower, withdraw from the Loan Account and pay to itself the amounts required to pay any premium payable in accordance with Section 4.05(c) of the General Conditions up to the amount allocated from time to time for the purpose in the table in Section II of Schedule 1 to this Agreement.
- 2.08 Without limitation upon the provisions of Section 5.08 of the General Conditions (renumbered as such pursuant to paragraph 4 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III

Program

- 3.01 The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.08 of the General Conditions—
- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program;
 - (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and

- (c) without limitation upon the provisions of paragraphs (a) and (b) of this section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule 1 to this Agreement.

ARTICLE IV

Remedies of the Bank

- 4.01 The Additional Event of Suspension consists of the following, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02 The Additional Event of Acceleration consists of the following, namely, that the event specified in Section 4.01 of this Agreement occurs.

ARTICLE V

Effectiveness; Termination

- 5.01 The Additional Conditions of Effectiveness consist of the following—
- (a) The Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
 - (b) The Financing Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Borrower to make withdrawals thereunder (other than the effectiveness of this Agreement), have been fulfilled.
- 5.02 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 eighteen (18) months after the Bank's approval of the Loan.

ARTICLE VI

Representative; Addresses

- 6.01 The Borrower's Representative is its Minister responsible for finance.
- 6.02 The Borrower's Address is—
- Ministry of Finance, Planning, Economy,
Energy and Cooperatives
Financial Complex
The Carenage
St. George's, GRENADA
Facsimile: 1-473-440-4115
- 6.03 The Bank's Address is—
- International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:

Telex:

Facsimile:

INTBAFRAD
Washington, D.C.

248423(MCI) or 1-202-477-6391
64145(MCI)

AGREED at....., as of the day and year first above written.

GRENADA

By

.....

Authorised Representative

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

.....

Authorised Representative

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

SECTION I

Actions under the Program

The actions taken by the Borrower under the Program include the following—

Improving Public Sector Governance and Economic Management

1. The Borrower—

- (a) through its Parliament, has enacted the Value Added Tax Act, and said Act is in full force and effect;
- (b) has made the VAT Unit functional with adequate staffing and resources; and
- (c) has issued the regulations to the Value Added Tax Act.

2. The Borrower, through its Ministry of Finance, has—

- (a) restructured said Ministry's Department of Economic Affairs and created, as a result of said restructuring the Economic Management and Planning Division, which structure includes—
 - (a) a budget unit;
 - (b) a macro policy unit; and
 - (c) a debt management unit, to sharpen analytical underpinnings of policy framework and to improve economic management as part of the institutional reform of said Ministry; and
- (b) allocated in the Borrower's annual budgets for FY 2009 and FY 2010 adequate financial resources to support the function of said Division.

3. The Borrower, through its Ministry of Finance, has: (a) established a waste reduction unit to improve efficiency and introduce cost cutting measures with respect to regular monitoring of use of fuel consumption, and government vehicles and other potential sources of waste; and (b) allocated in the Borrower's annual budget FY 2010 adequate financial resources to support the function of the said unit.

Improving Effectiveness and Efficiency of Social Safety Nets

4. The Borrower has—

- (a) completed a Social Safety Net Assessment; and
- (b) conducted subsequent stakeholder consultations on the results of said assessment.

5. The Borrower has established a social safety net committee to spearhead reform efforts of its Social Safety Net System.

Promoting Financial Sector Stability and Improving Business Environment

6. The Borrower, through its High Court, has appointed a judicial manager to perform a review of BAICO's within the Borrower's territory, with a view to recommending an orderly resolution in connection with the insolvency of BAICO.

7. The Borrower, through its Parliament, has enacted the Insurance Act, and said Act is in full force and effect.

8. The Borrower, through its Parliament, has enacted the Investment Promotion Act.

9. The Borrower has—

- (i) amended the Deeds and Land Registry Act, Chapter 79, through the enactment of the Deeds and Land Registry (Amendment) Act No. 21 of 2009, and
- (ii) enacted the Corporate Affairs and Intellectual Property Act No. 19 of 2009, to establish a separate deeds and land registry, and a separate corporate affairs and intellectual property office, respectively from the office of the Registrar of the High Court.

SECTION II

Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan (except for amounts required to pay the Front end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below—

<i>Allocations</i>	<i>Amount of the Loan Allocated (expressed in USD)</i>
(1) Single Withdrawal Tranche	4,488,750
(2) Front-end Fee	11,250
(3) Amount due pursuant to Section 2.07(c) of this Agreement	0
TOTAL AMOUNT	4,500,000

Deposits of Loan Amounts

C. Except as the Bank may otherwise agree—

- 1. all withdrawals from the Loan Account shall be deposited by the Bank into an account designated by the Borrower and acceptable to the Bank; and
- 2. the Borrower shall ensure that upon each deposit of an amount of the Loan into this account, an equivalent amount is accounted for in the Borrower's budget management system, in a manner acceptable to the Bank.

Excluded Expenditures

D. The Borrower undertakes that the proceeds of the Loan shall not be used to finance Excluded Expenditures. If the Bank determines at any time that an amount of the Loan was used to make a payment for an Excluded Expenditure, the Borrower shall, promptly upon

notice from the Bank, refund an amount equal to the amount of such payment to the Bank. Amounts refunded to the Bank upon such request shall be cancelled.

Closing Date

E. The Closing Date is June 30, 2011.

SCHEDULE 2

Amortisation Schedule

1. The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date (“Installment Share”). If the proceeds of the Loan have been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined by the Bank by multiplying: (a) Withdrawn Loan Balance as of the first Principal Payment Date; by (b) the Installment Share for each Principal Payment Date, such repayable amount to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

<i>Principal Payment Date</i>	<i>Installment Share (Expressed as a Percentage)</i>
On each May 15 and November 15 Beginning November 15, 2015 through November 15, 2029	3.33%
On May 15, 2030	3.43%

2. If the proceeds of the Loan have not been fully withdrawn as of the first Principal Payment Date, the principal amount of the Loan repayable by the Borrower on each Principal Payment Date shall be determined as follows—

- (a) To the extent that any proceeds of the Loan have been withdrawn as of the first Principal Payment Date, the Borrower shall repay the Withdrawn Loan Balance as of such date in accordance with paragraph 1 of this Schedule.
- (b) Any amount withdrawn after the first Principal Payment Date shall be repaid on each Principal Payment Date falling after the date of such withdrawal in amounts determined by the Bank by multiplying the amount of each such withdrawal by a fraction, the numerator of which is the original Installment Share specified in the table in paragraph 1 of this Schedule for said Principal Payment Date (“Original Installment Share”) and the denominator of which is the sum of all remaining Original Installment Shares for Principal Payment Dates falling on or after such date, such amounts repayable to be adjusted, as necessary, to deduct any amounts referred to in paragraph 4 of this Schedule, to which a Currency Conversion applies.

3. (a) Amounts of the Loan withdrawn within two calendar months prior to any Principal Payment Date shall, for the purposes solely of calculating the principal amounts payable on any Principal Payment Date, be treated as withdrawn and outstanding on the second Principal Payment Date following the date of withdrawal and shall be repayable on each Principal Payment Date commencing with the second Principal Payment Date following the date of withdrawal.

(b) Notwithstanding the provisions of subparagraph (a) of this paragraph, if at any time the Bank adopts a due date billing system under which invoices are issued on or after the respective Principal Payment Date, the provisions of such subparagraph shall no longer apply to any withdrawals made after the adoption of such billing system.

4. Notwithstanding the provisions of paragraphs 1 and 2 of this Schedule, upon a Currency Conversion of all or any portion of the Withdrawn Loan Balance to an Approved

Currency, the amount so converted in the Approved Currency that is repayable on any Principal Payment Date occurring during the Conversion Period, shall be determined by the Bank by multiplying such amount in its currency of denomination immediately prior to the Conversion by either: (i) the exchange rate that reflects the amounts of principal in the Approved Currency payable by the Bank under the Currency Hedge Transaction relating to the Conversion; or (ii) if the Bank so determines in accordance with the Conversion Guidelines, the exchange rate component of the Screen Rate.

APPENDIX

SECTION I

Definitions

1. “BAICO” means the British American Insurance Company, which operates across the Caribbean region (including the territory of the Borrower), and currently under judicial management in the Borrower’s territory.

2. “Excluded Expenditure” means any expenditure—

- (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Bank or the Association has financed or agreed to finance, or which the Bank or the Association has financed or agreed to finance under another loan, credit, or grant;
- (b) for goods included in the following groups or subgroups of the Standard International Trade Classification, Revision 3 (SITC, Rev. 3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev. 3 (1986) (the SITC), or any successor groups or sub-groups under future revisions to the SITC, as designated by the Bank by notice to the Borrower:

<i>Group</i>	<i>Sub-group</i>	<i>Description of Item</i>
112		Alcoholic beverages
121		Tobacco, un-manufactured tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitutes)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewellery of gold, silver or platinum group metals (except watches and watch cases) and goldsmiths’ or silversmiths’ wares (including set gems)
971		Gold, non-monetary (excluding gold ores and concentrates)

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Borrower or international agreements to which the Borrower is a party;

- (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
- (f) with respect to which the Bank determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Borrower or other recipient of the Loan proceeds, without the Borrower (or other such recipient) having taken timely and appropriate action satisfactory to the Bank to address such practices when they occur.

3. “Financing Agreement” means the agreement between the Borrower and the Association in support of the Program, of the same date as this Agreement, as such agreement may be amended from time to time. “Financing Agreement” includes all appendices, schedules and agreements supplemental to the Financing Agreement.

4. “Financial Year” and “FY” means the Borrower’s fiscal year which commences on January 1 and ends on December 31 of each year.

5. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for Loans”, dated July 1, 2005 (as amended through February 12, 2008) with the modifications set forth in Section II of this Appendix.

6. “High Court” means “the court established pursuant to the Recipient’s West Indies Associated States Supreme Court (Grenada) Act, Chapter 336.

7. “Insurance Act” means the Borrower’s Insurance Act No. 5 of 2009, which governs, inter alia, the regulation of the insurance business in the Borrower’s territory.

8. “Investment Promotion Act” means the Borrower’s Investment Act No. 22 of 2009, which governs, inter alia, the promotion and facilitation of investment in the territory of the Borrower.

9. “Ministry of Finance” means the Borrower’s Ministry of Finance, Planning, Economy, Energy and Cooperatives, the Ministry responsible for finances of the Borrower.

10. “Parliament” means the legislative assembly of the Borrower.

11. “Program” means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution.

12. “Registrar of the High Court” means the registrar of the High Court of the Borrower appointed pursuant to Section 88 of the Borrower’s Constitution.

13. “Single Withdrawal Tranche” means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.

14. “Social Safety Net Assessment” means the social safety net assessment set forth in the Borrower’s report titled “Grenada Social Safety Net Assessment” dated August 2009.

15. “Social Safety Net System” means the Borrower’s social protection system consisting of non-contributory transfer programs designed to provide support to the poor or the vulnerable groups.

16. “VAT Unit” means the unit within the Borrower’s Ministry of Finance, and responsible for administration of the Value Added Tax.

17. “Value Added Tax Act” means the Borrower’s Value Added Tax Act, No. 23 of 2009, which governs the application and collection of the value added tax.

SECTION II

Modifications to the General Conditions

The modifications to the General Conditions are as follows—

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (*Designated Accounts*) and 2.05 (*Eligible Expenditures*) are deleted in their entirety, and the remaining Sections in Article II are renumbered accordingly.

3. Paragraph (a) of Section 2.05 (renumbered as such pursuant to paragraph 2 above) is modified to read as follows—

“Section 2.05. Refinancing Preparation Advance; Capitalising Front end Fee and Interest—

(a) If the Loan Agreement provides for the repayment out of the proceeds of the Loan of an advance made by the Bank or the Association (“Preparation Advance”), the Bank shall, on behalf of such Loan Party, withdraw from the Loan Account on or after the Effective Date the amount required to repay the withdrawn and outstanding balance of the advance as at the date of such withdrawal from the Loan Account and to pay all accrued and unpaid charges, if any, on the advance as at such date. The Bank shall pay the amount so withdrawn to itself or the Association, as the case may be, and shall cancel the remaining unwithdrawn amount of the advance.”

4. Sections 5.01 (Project Execution Generally), and 5.09 (Financial Management; *Financial Statements; Audits*) are deleted in their entirety, and the remaining Sections in Article V are renumbered accordingly.

5. Paragraph (a) of Section 5.05 (renumbered as such pursuant to paragraph 4 above and relating to *Use of Goods, Works and Services*) is deleted in its entirety.

6. Paragraph (c) of Section 5.06 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows—

“Section 5.06. Plans; Documents; Records

(c) The Borrower shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Loan until two years after the Closing Date. The Borrower shall enable the Bank’s representatives to examine such records.”

7. Paragraph (c) of Section 5.07 (renumbered as such pursuant to paragraph 4 above) is modified to read as follows—

Section 5.07. Program Monitoring and Evaluation—

(c) The Borrower shall prepare, or cause to be prepared, and furnish to the Bank not later than six months after the Closing Date, a report of such scope and in such detail as the Bank shall reasonably request, on the execution of the Program, the performance by the Loan Parties and the Bank of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Loan.

8. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly—

(a) The definition of the term “Eligible Expenditure” is modified to read as follows—

“Eligible Expenditure’ means any use to which the Loan is put in support of the Program, other than to finance expenditures excluded pursuant to the Loan Agreement.”

(b) The term “Financial Statements” and its definition are deleted in their entirety.

(c) The term “Project” is modified to read “Program” and its definition is modified to read as follows (and all references to “Project” throughout these General Conditions are deemed to be references to “Program”)—

“Program” means the program referred to in the Loan Agreement in support of which the Loan is made.”

CHAPTER 85D
ECONOMIC AND SOCIAL DEVELOPMENT POLICY LOAN
AUTHORISATION ACT

SUBSIDIARY LEGISLATION

No Subsidiary Legislation
