Financing Agreement

Disaster Risk Management Development Policy Financing with a Catastrophe Deferred Drawdown Option (CAT-DDO)

between

GRENADA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date 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: (i) 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 (ii) the Recipient’s maintenance of an adequate macroeconomic policy framework. 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) apply to and form 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 Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in the amount of twenty million Dollars ($20,000,000) (variously, "Credit" and "Financing").

2.02. The Service Charge is the greater of: (a) the sum of three-fourths of one percent (3/4 of 1%) per annum plus the Basis Adjustment to the Service Charge; and (b) three-fourths of one percent (3/4 of 1%) per annum; on the Withdrawn Credit Balance.

2.03. The Payment Dates are February 15 and August 15 in each year.

2.04. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement and subject to provisions of Section 2.07 below.

2.05. The Payment Currency is Dollar.
2.06. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Recipient shall promptly furnish to the Association such information relating to the provisions of this Article II as the Association may, from time to time, reasonably request.

2.07. (a) If, prior to the Closing Date, the Recipient requests an extension of the Closing Date, the Association may provide such extension only once and for a maximum withdrawal period of six (6) years after the Signature Date and on such Credit terms and conditions as agreed by the Association.

(b) Notwithstanding the provisions of sub-paragraph (a) above, the Closing Date shall not be extended if at the time of Recipient’s request, the events specified in sub-paragraph (b) (i) (A) and (B) of Section 3.05 of the General Conditions have occurred.

ARTICLE III — PROGRAM

3.01. The Recipient declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:

(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 Events of Suspension consist of the following:

(a) A situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

(b) An action has been taken or a policy has been adopted by the Recipient to reverse any action or policy under the Program including any action listed in Section I of Schedule I to this Agreement.

4.02. The Additional Event of Acceleration consists of the following, namely, that any event specified in paragraphs (a) or (b) of Section 4.01 of this Agreement occurs and is continuing for a period of sixty (60) days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

5.01. The Additional Condition of Effectiveness consists of the following, namely that 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.

5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

5.03. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is its Minister of Finance, Planning, Economic and Physical Development.

6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance, Planning, Economic and Physical Development
Financial Complex
The Carenage
St. George’s
Grenada; and
(b) the Recipient’s Electronic Address is:

Facsimile: 1-473-440-4115  E-mail: psfinancegrenada@gmail.com

6.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Telex: 248423 (MCI)  Facsimile: 1-202-477-6391  E-mail: tsayed@worldbank.org
AGREED as of the Signature Date.

GRENADA

By

[Signature]

Authorized Representative

Name: Yolande Y. Smith
Title: Ambassador of Grenada
Date: February 25, 2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Tahseen Sayed Khan
Title: Country Director
Caribbean, Latin America
and the Caribbean Region
Date: February 25, 2020
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Recipient under the Program include the following:

1. The Recipient has adopted the Antigua and Barbuda Declaration on School Safety in the Caribbean, including the Roadmap on School Safety, establishing priorities to enhance the physical, environmental, and social protection levels of education facilities, as well as to increase the awareness of the school community on resilience, as evidenced by the Annex to the Antigua and Barbuda Declaration on School Safety adopted by the Recipient on April 30, 2019 during the Second Caribbean Safe Schools Ministerial Forum.

2. The Recipient has adopted and published coordination protocols for the declaration of national and sub-national emergencies, as evidenced by the adoption of said protocols by the Minister with responsibility for disaster management as of November 15, 2019, as published in the Government Gazette No. 51, Volume 137, dated November 15, 2019.

3. The Recipient has amended the Public Finance Management Regulations Part XIII-PSIP Selection and Prioritization Criteria and Procedure and Reporting Regulation 258.2 (a) (i) to include climate resilience criteria into the screening of PSIP projects and public private partnerships, as evidenced by the publication of the amended Public Finance Management Regulations in the Government Gazette No. 47, Volume 137, dated October 31, 2019.

4. The Recipient has adopted the Grenada National Disaster Risk Financing Strategy (DRFS), thereby providing a comprehensive framework for using multiple instruments and programs to strengthen financial resilience for improved disaster risk management, as evidenced by Cabinet Conclusion No. 1204, dated September 9, 2019.

5. The Recipient has approved the development of a budget classifier to include provisions that enable the classification and report on post disaster expenditure in relief, recovery, and reconstruction, as evidenced by Cabinet Conclusion No. 1204, dated September 9, 2019.

6. The Recipient has established a pilot insurance mechanism to take effect from July 1, 2019 to June 30, 2020, to support fisheries workers in recovering economic losses from extreme weather events, as evidenced by Cabinet Conclusion No. 613 dated May 13, 2019.
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 withdrawal tranche, from which the Recipient may make withdrawals of the Financing proceeds. The allocation of the amounts of the Financing to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Financing Allocated (expressed in USD)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>20,000,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>20,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal of Financing Proceeds.

1. No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied, based on evidence satisfactory to it, that a Government Declaration has been issued to respond to a National Disaster.

2. Notwithstanding the foregoing, if, at any time prior to the receipt by the Association of a request for withdrawal of an amount of the Financing, the Association determines that a review of the Recipient’s progress in carrying out the Program is warranted, the Association shall give notice to the Recipient to that effect. Upon the giving of such notice, no withdrawals shall be made of the Unwithdrawn Financing Balance unless and until the Association has notified the Recipient of its satisfaction, after an exchange of views as described in paragraphs (a) and (b) of Section 3.01 of Article III of this Agreement, with the progress achieved by the Recipient in carrying out the Program.

D. Deposit of Financing Amounts.

The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (a) the exact sum received into the account referred to in Section 2.03 (a) of the General Conditions; (b) the details of the account to which the Eastern Caribbean Dollars (XCD) equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount
has been accounted for in the Recipient’s budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03 (a) of the General Conditions.

E. Audit. Upon the Association’s request, the Recipient shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association;

2. furnish to the Association as soon as available, but in any case not later than six (6) months after the date of the Association’s request for such audit, a certified copy of the report of such audit, of such scope and in such detail as the Association shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Association and

3. furnish to the Association such other information concerning the account referred to in Section 2.03 (a) of the General Conditions and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is February 16, 2023.
SCHEDULE 2

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 February 15 and August 15:</td>
<td></td>
</tr>
<tr>
<td>commencing February 15, 2030 to and including August 15, 2039</td>
<td>1%</td>
</tr>
<tr>
<td>commencing February 15, 2040 to and including August 15, 2059</td>
<td>2%</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 3.05 (b) of the General Conditions or Section 2.07 (a) of Article II of this Agreement.
APPENDIX

Section I. Definitions

1. “Basis Adjustment to the Service Charge” means the Association’s standard basis adjustment to the Service Charge for credits in the currency of denomination of the Credit, in effect at 12:01 a.m. Washington, D.C. time, on the date on which the Credit is approved by the Executive Directors of the Association, and expressed either as a positive or negative percentage per annum.

2. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018, revised on June 7, 2019, with the modifications set forth in Section II of this Appendix.

3. “Government Declaration” means a declaration made by the Recipient’s Prime Minister and published in the Recipient’s Government Gazette (or by notices affixed to public buildings or distributed amongst the public, or by oral public announcement by radio or otherwise if publication in the Gazette is impossible or impractical) that a National Disaster has occurred in the territory of the Recipient or any part thereof, all in accordance with the provisions of the Recipient’s National Disaster (Emergency Powers) Act of 1984.

4. “National Disaster” means, for purposes of this Financing Agreement, an imminent or occurring situation due to a natural or health disaster, including but not limited to earthquakes, hurricanes, floods, fires, outbreak of pestilence or of infectious disease or other calamity, as a result of which supplies and services essential to the life of the community are likely to be endangered, in accordance with the Recipient’s National Disaster (Emergency Powers) Act of 1984. For clarity, any emergency that is predominantly political, technological, security, military, or fiscal in nature is excluded.

5. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated November 19, 2019 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 and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.

6. “Public Sector Investment Programme” or “PSIP” means the Recipient’s progressing three-year plan of Cabinet-approved, new and ongoing prioritized public investment projects for the period 2019-2021.
7. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.

8. "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.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 3.02 of the General Conditions is deleted in its entirety, and the remaining sections are renumbered accordingly.

2. In the Table of Contents, the Appendix and all other provisions of the General Conditions, all references to Section numbers and paragraphs of Article III are modified, as necessary, to reflect the modification set forth above.