

PD-ABC-170
CONFORMED COPY

Program Agreement Number: 538-604E
Program Number: 538-0141.05

ISA 69/06

GRANT AGREEMENT
BETWEEN
THE COMMONWEALTH OF DOMINICA
AND
THE UNITED STATES OF AMERICA
ACTING THROUGH
THE AGENCY FOR INTERNATIONAL DEVELOPMENT
FOR
STRUCTURAL ADJUSTMENT IV

DATE: September 17, 1990

<u>APPROPRIATION</u>	<u>BUDGET PLAN CODE</u>	<u>PAAD NO.</u>	<u>AMOUNT</u>
72-110/11037	LES0-90-35538-IG31	538-K-604E	U.S. \$557,000

TABLE OF CONTENTS
PROGRAM GRANT AGREEMENT

	Page
ARTICLE I: THE ASSISTANCE	1
ARTICLE II: CONDITIONS PRECEDENT TO THE DISBURSEMENT	2
Section 2.1 Conditions Precedent to the Disbursement	2
Section 2.2 Notification	3
Section 2.3 Terminal Date for Conditions Precedent	3
ARTICLE III: DISBURSEMENT	3
Section 3.1 Deposit of Disbursed Funds	3
Section 3.2 Date of Disbursement	3
Section 3.3 Terminal Date for Requesting Disbursement	3
ARTICLE IV: USES OF FUNDS	3
Section 4.1 Uses of U.S. Dollar Grant Proceeds	3
Section 4.2 Uses of Deposited Local Currency	4
ARTICLE V: COVENANTS	4
Section 5.1 Records	4
Section 5.2 U.S. Dollars	4
Section 5.3 Local Currency	5
Section 5.4 Reports	5
Section 5.5 Publicity	5
Section 5.6 Execution of Program	5
Section 5.7 Consultation	5
Section 5.8 Miscellaneous	6
ARTICLE VI: REFUNDS	6
ARTICLE VII: MISCELLANEOUS	6
Section 7.1 Communications	6
Section 7.2 Representatives	7
ANNEX I: PROGRAM DESCRIPTION	

THE COMMONWEALTH OF DOMINICA
AND
THE UNITED STATES OF AMERICA
FOR
STRUCTURAL ADJUSTMENT IV

GRANT NO. 538-604E
PROJECT NO. 538-0141.05

Agreement, dated the 17th September, 1990 between the Commonwealth of Dominica ("Grantee") and the United States of America, acting through the Agency for International Development ("A.I.D."), together referred to as the "Parties".

Whereas, A.I.D. desires to assist the Grantee to maintain economic stability and to foster economic growth;

Now, therefore, the Parties hereto agree as follows:

ARTICLE I

THE ASSISTANCE

A.I.D. agrees to grant to the Grantee, under the terms of this Agreement, not to exceed Five Hundred and Fifty Seven Thousand United States Dollars (US\$557,000) (The "Grant") to assist the Grantee in maintaining stability, revitalizing its public finances, and promoting private sector economic growth. The Grant will provide financing to enable the Grantee to continue its efforts to implement a structural reform program. The Grant is anticipated to be disbursed in one tranche after satisfaction of the Conditions Precedent set forth below. The activities contemplated herein are amplified in the Program Description set forth in Annex I of this Agreement.

ARTICLE II

CONDITIONS PRECEDENT TO THE DISBURSEMENT

Section 2.1 Conditions Precedent to the Disbursement

Prior to the disbursement of the Grant, or any part thereof, or to the issuance by A.I.D. of documentation pursuant to which disbursement will be made, the Grantee will, except as the Parties may otherwise agree in writing, furnish to A.I.D., in form and substance satisfactory to A.I.D.:

- (a) An opinion of the Attorney General of the Grantee stating that this Agreement has been duly authorized and/or ratified by, and executed on behalf of, the Grantee, and that it constitutes a valid and legally binding obligation of the Grantee in accordance with all of its terms.
- (b) A statement of the names of the persons holding or acting in the office of the Grantee specified in section 7.2 and a specimen signature of each person specified in such statement.
- (c) Evidence that the Grantee has established, or has caused to be established, a separate, interest-bearing U.S. dollar account with a designated U.S. correspondent bank, to be used solely for the disbursements of the U.S. dollar proceeds of this Grant, and evidence that adequate accounting procedures are in place to accurately track the sources of deposits into, and the uses of withdrawals from, this account. This evidence will be further described in a countersigned Implementation Letter.
- (d) Evidence that the Grantee has established, or has caused to be established, a separate, interest-bearing local currency account to be used solely for the deposit of local currency specified in section 5.3 of this Agreement, and evidence that adequate accounting procedures are in place to accurately track the sources of deposits into, and the uses of withdrawals from, this account. This evidence will be further described in a countersigned Implementation Letter.
- (e) Evidence based on actual data for the first semester of the 1990/91 fiscal year and projected data for the full fiscal year, that the Grantee is making satisfactory progress toward restraining growth in central government civil service wage and salary payments, so that they do not exceed forty-nine percent of current revenue, and fifty-four percent of current expenditure in fiscal year 1990/1991.
- (f) Evidence based on actual data for the first semester of the 1990/91 fiscal year and projected data for the full fiscal year, that the Grantee is making satisfactory progress toward achieving a central government current account surplus equal to at least seven percent of current revenue in fiscal year 1990/1991.

Section 2.2 Notification

When A.I.D. has determined that the conditions precedent to disbursement specified in Section 2.1 have been met, it will promptly notify the Grantee.

Section 2.3 Terminal Date for Conditions Precedent

If the conditions precedent to disbursement as set forth in Section 2.1 have not been met by June 30, 1991, or such later date as A.I.D. may agree to in writing, A.I.D., at its option, may terminate this Agreement by written notice to the Grantee.

ARTICLE III

DISBURSEMENT

Section 3.1 Deposit of Disbursed Funds

After satisfaction of the conditions precedent, at the written request of the Grantee, A.I.D. will arrange for deposit of the proceeds of the Grant in the designated U.S. correspondent bank for the account of the Grantee or its designated, jointly approved agent.

Section 3.2 Date of Disbursement

Disbursement by A.I.D. will be deemed to occur on the date(s) the proceeds of the Grant are deposited in the bank or banks designated pursuant to Section 3.1.

Section 3.3 Terminal Date for Requesting Disbursement

Except as A.I.D. may otherwise agree in writing, the terminal date for the Grantee to request disbursement of the Grant proceeds shall be twelve months from the date of this Agreement. After such date, A.I.D. may deobligate funds from this Grant without further notice to the Grantee.

ARTICLE IV

USES OF FUNDS

Section 4.1 Uses of U.S. Dollar Grant Proceeds

The Grantee agrees that the Grant proceeds disbursed into the separate account specified in Sections 2.1(c) and 5.2 will be used to finance, during a period of one year following the first disbursement under this Grant and in accordance with procedures agreed to under Section 2.1(c), imports from the United States of raw materials, intermediate and capital goods, essential consumer goods, and such other classes of commodities or imports that may be agreed to

by A.I.D. It is expressly understood and agreed that the Grant proceeds will not be used to finance military or paramilitary equipment or services, surveillance equipment, police or other law enforcement equipment or services, abortion equipment or services, luxury goods or gambling equipment, weather modification equipment, or pesticides which are not registered by the U.S. Environmental Protection Agency without restriction. The Grantee further agrees to redeposit in the said separate account any amounts, as directed by A.I.D., representing funds applied to a disallowed use, and to reprogram such funds to a permitted use.

Section 4.2 Uses of Deposited Local Currency

The Grantee agrees that the Eastern Caribbean dollars deposited in the account specified in Sections 2.1(d) and 5.3 will be used only for support of the Grantee's Development Account in accordance with procedures agreed to under Section 2.1(d). It is anticipated that funds in the local currency account will be fully disbursed during the 24-month period immediately following the disbursement of this Grant. It is expressly understood and agreed that funds in the account will not be used to finance police training or for military or paramilitary purposes. The Grantee further agrees to redeposit in the said separate account any amounts, as directed by A.I.D., representing funds applied to a disallowed use, and to reprogram such funds to a permitted use.

ARTICLE V

COVENANTS

The Grantee covenants that:

Section 5.1 Records

It will maintain, or cause to be maintained, financial records, in accordance with generally accepted accounting principles, to assure compliance with this Agreement, such records to be maintained for at least three years after the date of the last disbursement hereunder and to be made available upon request for examination at any reasonable time by authorized representatives of A.I.D.

Section 5.2 U.S. Dollars

The U.S. dollar proceeds of the Grant will be deposited and maintained in the separate account established in accordance with 2.1(c) above until use as authorized by this Agreement. The Grantee further covenants that the U.S. dollars in such account will not be commingled with funds from any source other than disbursements under this Grant.

Section 5.3 Local Currency

The Grantee shall, within five (5) days following each disbursement of the Grant, deposit, or cause to be deposited, an amount of Eastern Caribbean Dollars equivalent to the Grant disbursement, into a separate, interest-bearing government account of the National Commercial Bank of Dominica (NCB). Such equivalency shall be calculated using the highest legal rate of exchange for U.S. Dollars existing on the date the Grant disbursement is made. The Grantee shall within the reports provided for in Section 5.4, provide evidence satisfactory to A.I.D. that such a deposit has occurred. The Grantee further covenants that the local currency deposited in the separate account will not be commingled with funds from any other source and will be expended only for purposes approved under this Agreement.

Section 5.4 Reports

- a) The Grantee will present to A.I.D., on a quarterly basis, itemized documentation of the disbursements from the separate U.S. dollar account at the designated U.S. correspondent bank for purposes authorized by this Agreement. This documentation shall include: (1) the disbursement orders that the Grantee or its designated, jointly approved agent has communicated to the designated U.S. correspondent bank to release funds from the special dollar account, and (2) copies of the statements of the separate dollar account, verifying that the funds have been appropriately released.
- b) The Grantee will provide, beginning ninety days after disbursement of the U.S. dollar resources, and until funds in the separate local currency account have been liquidated, quarterly reports documenting that funds from the separate local currency account have been released to the Development Account of the Government of the Commonwealth of Dominica.

Further specification of the content and timing of the Grantee's reporting requirements will be contained in an Implementation Letter.

Section 5.5 Publicity

The Grantee will give appropriate publicity to the Grant.

Section 5.6 Execution of Program

The Grantee will carry out the Program or cause it to be carried out with due diligence and efficiency.

Section 5.7 Consultation

The Grantee will meet at regular intervals with A.I.D. in order to consult concerning the effectiveness of the activities undertaken through the Agreement. The Grantee will provide to A.I.D. such information relating to the economic and financial situation of Dominica as may be reasonably requested by A.I.D.

Section 5.8 Miscellaneous Financial and Program Covenants

- a) The Grantee covenants to continue making progress in implementing the cost-containment measures based on the Grantee's response to the findings and recommendations of the Organization, Methods, and Manpower technical assistance team. The Grantee will provide to AID, no later than January 31, 1991, a letter describing the additional progress already achieved or planned for the 1990/1991 fiscal year.
- b) The Grantee covenants to continue its progress in identifying and removing barriers and disincentives to private investment in Dominica. The Grantee will provide to AID prior to January 31, 1991, a letter describing measures planned or taken during the 1990/1991 fiscal year to remove fiscal, regulatory or other disincentives to private investment in Dominica.

ARTICLE VI

REFUNDS

If the failure of the Grantee to comply with any of its obligations under this Agreement has the result that the Grant is not used effectively in accordance with this Agreement, A.I.D. may require the Grantee to refund all or any part of the amount of the disbursements under this Agreement in U.S. dollars to A.I.D. within sixty (60) days after receipt of a request therefor. Such right to require refund of any disbursement will continue, notwithstanding any other provision of this Agreement, for three years from the date of the last disbursement under this Agreement.

ARTICLE VII

MISCELLANEOUS

Section 7.1 Communications

Any notice, request, documents, or other communication submitted by either party to the other under this Agreement will be in writing or by telegram or cable, and will be deemed duly given or sent when delivered to such party at the following address:

To the Grantee: Prime Minister and Minister of Finance
Mail Address: Government Headquarters
Roseau
Dominica.

Cable Address: Telex No.: 8613 DOM EXTERNAL

To A.I.D.: Director
Regional Development Office/Caribbean
Mail Address: USAID
P.O. Box 302
Bridgetown
Barbados.

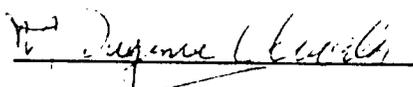
All such communications will be in English. Other addresses may be substituted for the above upon the giving of notice.

Section 7.2 Representatives

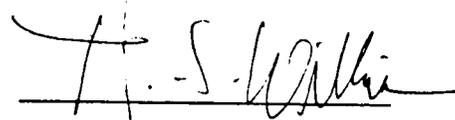
For all purposes relevant to this Agreement, the Grantee will be represented by the individual holding or acting in the position of Minister of Finance, Government of the Commonwealth of Dominica and A.I.D. will be represented by the individual holding or acting in the position of the A.I.D. Director, Regional Development Office for the Caribbean, in Barbados, each of whom, by written notice, may designate additional representatives. The names of the representatives of the Grantee, with specimen signatures, will be provided to A.I.D., which may accept as duly authorized an instrument signed by such representatives in implementation of this Agreement, until receipt of written notice of revocation of their authority.

IN WITNESS WHEREOF, the Commonwealth of Dominica and the United States of America, each acting through its duly authorized representative, have caused this Agreement to be signed in their names and delivered as of the date and year first above written.

COMMONWEALTH OF DOMINICA

By: 
Title: Hon. Mary Eugenia Charles
Prime Minister
and Minister of Finance

UNITED STATES OF AMERICA

By: 
Title: Aaron S. Williams
Director, RDO/C

PROGRAM DESCRIPTION

The objective of Dominica Structural Adjustment IV is to assist the Government of the Commonwealth of Dominica to consolidate the achievements made under the recently concluded three-year structural adjustment program initiated under the auspices of the "Tight Consultative Group." Under the program, Dominica strengthened its fiscal management and increased public sector savings, permitting a higher level of public investment. The structural adjustment program also contributed to a stronger balance of payments position, and improved Dominica's ability to attract private investment.

Although the formal program with the Tight Consultative Group is now over, Dominica continues to manage its public finance soundly, and is committed to implementing its public sector investment program in order to further stimulate economic growth and private investment. The budgetary support to be provided under Structural Adjustment IV will assist Dominica to carry out priority development programs and investments, in addition to strengthening the country's foreign reserve position. Specific fiscal and policy targets related to this Grant are based on the Grantee's commitment to maintain and consolidate the gains of the Tight Consultative Group economic program.

Support of Central Government Budget

The local currency equivalent of the Grant will be used to help fund the Central Government's unfinanced budget deficit so that Government will not have to resort to additional nonconcessional borrowing or further reduction in its public investment program. The Government of the Commonwealth of Dominica will provide quarterly reports documenting that the funds from the separate local currency account have been released to the Development Account of the Central Government.

A