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IDA/R2004-0256

November 5, 2004

**Closing Date: Tuesday, November 16, 2004**

FROM: Vice President and Corporate Secretary

**Grenada**

**OECS Education Development Project  
Proposed Amendment to the Loan and Credit Agreements**

1. Attached is a Memorandum of the President and document entitled "Grenada: OECS Education Development Project (Loan 7187-GRD and Credit 3809-GRD) – Proposed Amendment to the Loan and Credit Agreements," dated October 27, 2004.
2. In the absence of objections (to be communicated to the Vice President and Corporate Secretary by the close of business on **November 16, 2004**), the recommendation contained in paragraph 2 of the Memorandum of the President will be deemed approved and recorded in the minutes of a subsequent meeting of the Executive Directors.
3. Questions on this document may be referred to Ms. Guedes (ext. 36286, or via email at [aguedes@worldbank.org](mailto:aguedes@worldbank.org)).

Distribution:

Executive Directors and Alternates  
President  
Bank Group Senior Management  
Vice Presidents, Bank, IFC and MIGA  
Directors and Department Heads, Bank, IFC and MIGA



**MEMORANDUM AND RECOMMENDATION OF THE PRESIDENT  
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
AND THE INTERNATIONAL DEVELOPMENT ASSOCIATION TO THE  
EXECUTIVE DIRECTORS  
ON A PROPOSED AMENDMENT TO THE LOAN AND  
DEVELOPMENT CREDIT AGREEMENTS  
BETWEEN GRENADA AND THE BANK AND ASSOCIATION  
FOR THE OECS EDUCATION DEVELOPMENT PROJECT  
(LOAN 7187-GRD AND CREDIT 3809-GRD)**

1. I submit for your approval a proposed amendment to the Loan and Development Credit Agreements between Grenada and the Bank and the Association for the OECS Education Development (Loan No. 7187-GR and Credit No. 3809-GR) that will authorize the utilization of undisbursed Loan and Credit amounts for the financing of reconstruction and rehabilitation of secondary schools destroyed and/or damaged by Hurricane Ivan.
2. **Recommendation.** I am satisfied that the proposed modification of the Loan and Development Credit Agreements for Loan 7187-GR and Credit 3809-GR comply with the Articles of Agreement of the Bank. I recommend that the Executive Directors approve, on a non-objection basis, the proposed amendments to such Loan and Development Credit Agreements in accordance to the terms set out in paragraphs 1 to 7.

James D. Wolfensohn  
President

by Shengman Zhang

Attachment  
October 27, 2004

|                  |                   |
|------------------|-------------------|
| Vice President   | David de Ferranti |
| Country Director | Caroline Anstey   |
| Sector Manager   | Evangeline Javier |
| Team Leader      | Cynthia Hobbs     |



**Grenada – OECS Education Development Project  
Proposed Amendment to the Loan 7187-GRD and Credit 3809-GRD  
Following the passage of Hurricane Ivan**

1. Grenada's OECS Education Development Project, supported by Loan and Credit Agreements, dated October 1, 2003 for a total amount of US\$8 million equivalent (US\$4 million IBRD and SDR2.9 million IDA), aims to: (a) increase equitable access to secondary education; (b) improve quality and efficiency of secondary education; and (c) strengthen the institutional capacity of the educational sector.
2. On September 7, 2004, the eye-wall of Hurricane Ivan, a Category 3 hurricane, passed over Grenada leaving a trail of destruction: more than 80 percent of the building structures on the island have sustained some form of damage, including 90 percent of the housing stock. The damage caused to schools was only second to the damage in the housing sector. A preliminary assessment of the education sector dated September 21, 2004 concluded that out of the 58 primary public schools, 25 suffered major structural damage or destruction. The remaining 33 suffered relatively lesser damages such as windows, doors and furnishings destroyed, roof partially or completely destroyed, and roof structure damage. Of the 19 secondary schools, 14 suffered major damages and only 5 escaped with minimum damage. Currently, the majority of the schools remain closed and the students unable to attend classes.
3. A conservative ballpark figure of the damage estimates that a total of US\$33 million will be required to rebuild the schools. It is estimated that US\$20 million is needed for the rehabilitation and repair of primary schools and US\$10.1 million for secondary schools, including civil works and furnishings. Another US\$2.9 million will be required for the purchase of textbooks. The restoration of labs and technical centers will cost approximately another US\$4 million. A second estimate, produced by Grenada's Ministry of Finance, puts the damage closer to US\$80 million.
4. As part of their reconstruction effort and the urgency in resuming classes, the Government of Grenada has requested that US\$5.3 million equivalent within the US\$11.3 million OECS Education Development Project, identified during the emergency mission following Hurricane Ivan, be directed towards the reconstruction, rehabilitation, furnishing, and equipping of secondary schools. The reconstruction and rehabilitation of primary schools would be financed under a proposed new loan/credit (Grenada Hurricane Ivan - Emergency Recovery Project) as well as by other donors. Given the new priorities resulting from Hurricane Ivan, Grenada's Ministry of Education identified several activities previously planned under the project which are no longer a priority, thus freeing up resources to be reallocated to the new needs.
5. In order to accommodate the Government of Grenada's request for the reallocation, it is necessary to amend: (a) the development objective and Part A of the Project of the Loan Agreement, to reflect the change in rationale for the component, which is to rebuild and rehabilitate secondary schools damaged by the Hurricane Ivan; (b) Schedule 1 of the Loan Agreement to reflect the change in all the disbursement categories to 100% as per the Grenada's financing parameters recently approved; and (c) Schedule 4 of the Loan Agreement to establish more flexible procurement arrangements for the aforementioned reconstruction, rehabilitation, furnishing and equipping of secondary schools.

7. The request to reallocate these savings toward the new emergency is expected to assist the Government of Grenada in resuming classes as quickly as possible, while ensuring student safety due to proper building standards for secondary schools. Meanwhile, discussions are currently ongoing with the Government regarding a new operation to be financed through the Emergency Recovery and Disaster Management Project contingency fund, which would allocate approximately US\$5 million to the reconstruction of primary schools. International donors have also met and are identifying other areas of financing for the education sector.
8. A copy of the draft Letter of Amendment to the Borrower is available upon request.

November \_\_\_\_\_, 2004

The Right Honorable  
Mr. Anthony Boatswain  
Minister for Finance  
Ministry of Finance  
Financial Complex, the Carenage  
St. George's  
GRENADA, W.I.

**Re: *OECS Education Development Project (Loan No. 7187-GRD/ Credit 3809-GRD)***  
**First Amendment**

Dear Mr. Boatswain:

Please refer to the Loan and Development Credit Agreements between Grenada (the Borrower) and the International Bank of Reconstruction and Development and the International Development Association (jointly the Bank) both dated October 1, 2003, for the above mentioned Project.

Pursuant to your request dated \_\_\_\_\_, 2004 and our recent discussions on the subject, we are pleased to inform you that the Bank hereby agrees to amend the Loan and Credit Agreements so as to incorporate appropriate provisions to help the Borrower address the natural disaster emergency situation which recently took place.

Consequently, the Loan and the Credit Agreements are hereby amended as follows:

I. Loan Agreement:

1. Section 1.01 of the Agreements is hereby amended to incorporate the following modification to Section 5.08 of the General Conditions:

“Section 5.08. Treatment of Taxes:

“Except as otherwise provided in the Loan Agreement, the proceeds of the Loan may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Loan, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Bank policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Bank shall at any time determine that the amount of any taxes levied on, or in respect of any item to be financed out of, the proceeds of the Loan is excessive or otherwise unreasonable, the Bank may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Loan Agreement as required to be consistent with such policy of the Bank.”

2. Section 1.02 is hereby amended so as to add the following definitions:

“(n) ‘Hurricane Ivan’ means the hurricane which caused extensive wind damage and floods in the Caribbean in September, 2004; and

(o) 'Procurement Plan' means the Borrower's procurement plan, dated October 22, 2004 covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation."

3. Section 3.02 is hereby amended so as to read in its entirety as follows:

"Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the Loan shall be governed by the provisions of Schedule 4 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Borrower shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval."

4. The disbursement table for the Loan and the Credit referred to in paragraphs 1 and 2 of Schedule 1 to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in the Annex 1 to this Amendment Letter.

5. The first paragraph of Schedule 2 to the Loan Agreement is hereby amended and replaced to read in its entirety as follows:

"The objectives of the Project are: (a) to increase equitable access to Secondary Education, including replacing and rehabilitating secondary schools damaged by the passage of Hurricane Ivan on September 7, 2004; (b) to improve quality and efficiency of Secondary Education; and (c) to strengthen the institutional capacity of the education sector."

6. Part A of the Schedule 2 to the Loan Agreement is hereby amended and replaced to read in its entirety as follows:

"Part A: Increasing Equitable Access to Secondary Education

Reconstruction and rehabilitation of secondary schools damaged by Hurricane Ivan, including three Secondary Education Schools located in the Borrower's parishes of St. George, St. Andrew, and St. David, through the carrying out of civil works and the provision of necessary equipment."

7. Schedule 4 to the Loan Agreement is hereby amended and replaced to read in its entirety as set forth in Annex 2 to this Amendment Letter.

II. Credit Agreement:

Section 1.01 of the Credit Agreement is hereby amended to incorporate the following modification to Section 5.08 of the General Conditions:

"Section 5.08. Treatment of Taxes:

“Except as otherwise provided in the Development Credit Agreement, the proceeds of the Credit may be withdrawn to pay for taxes levied by, or in the territory of, the Borrower or the Guarantor on the goods or services to be financed under the Credit, or on their importation, manufacture, procurement or supply. Financing of such taxes is subject to the Association policy of requiring economy and efficiency in the use of the proceeds of its loans. To that end, if the Association shall at any time determine that the amount of any taxes levied on, or in respect of any item to be financed out of, the proceeds of the Credit is excessive or otherwise unreasonable, the Association may, by notice to the Borrower, adjust the percentage for withdrawal set forth or referred to in respect of such item in the Credit Agreement as required to be consistent with such policy of the Association.”

Please confirm your agreement with the foregoing amendment by signing and dating this letter in the spaces provided below. This amendment letter shall be executed in two counterparts each of which shall be an original.

Upon confirmation, please return one fully executed original to us. The provisions set forth in this amendment letter shall become effective as of the date of this letter upon receipt by the Bank of one fully executed original of this amendment letter.

Sincerely,

**INTERNATIONAL BANK FOR RECONSTRUCTION  
AND DEVELOPMENT**

\_\_\_\_\_  
Caroline D. Anstey  
Director  
Caribbean Country Management Unit  
Latin America and the Caribbean Region

**AGREED:**

**GRENADA**

By: \_\_\_\_\_  
Authorized Representative

Name: \_\_\_\_\_

Date: \_\_\_\_\_



**ANNEX 1**

**“General**

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Loan and the Credit, the allocation of the amounts of the Loan and the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

| <u>Category</u>   | <u>Amount of the Loan<br/>Allocated<br/>(Expressed in Dollars)</u> | <u>Amount of the Credit<br/>Allocated<br/>(Expressed in SDRs)</u> | <u>% of<br/>Expenditure to<br/>be Financed</u>               |
|---|--|---|--|
| (1) Works<br>(under Part A<br>of the Project)                           | 2,700,000  | 2,000,000   | 100%   |
| (2) (a) Goods (except as<br>covered by Categories<br>(b) and (c) below) | 300,000  | 217,400   | 100%   |
| (b) Goods (under<br>Part A of the<br>Project)                           | 400,000  | 290,000   | 100%   |
| (c) Goods and services for<br>School Improvement<br>Projects            | 100,000  | 72,500  | 100%   |
| (3) Consultants' Services   | 100,000  | 72,500  | 100%   |
| (4) Training  | 100,000  | 72,500  | 100%   |
| (5) Operating Costs<br>(Under Part A<br>of the Project)                 | 200,000  | 130,000   | 100%   |
| (6) Premia for Interest<br>Rate Caps and<br>Interest Rate Collars       | -0-  |   | Amount due<br>under Section<br>2.09 (c) of<br>this Agreement |
| (7) Fee   | 40,000   |   | Amount due<br>under Section<br>2.04 of this                  |

Agreement

|     |             |                  |                  |
|-----|-------------|------------------|------------------|
| (8) | Unallocated | 60,000           | 45,100           |
|     | TOTALS      | <u>4,000,000</u> | <u>2,900,000</u> |

2. For the purposes of this Schedule the terms:

- 1) "training" includes the non-consultant expenditures incurred by the Borrower in connection with the carrying out of training activities under the Project, including reasonable expenditures for training materials, training fees, training facilities, rentals, travel costs and per diem expenditures incurred by trainees; and
- 2) "operating costs" means the expenditures incurred by the Borrower to finance communications (telephone and fax), supplies and support staff for the PMU."

**“SCHEDULE 4**

**Procurement**

Section I. General

A. All goods, works and services (other than consultants’ services) shall be procured in accordance with the provisions of Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants’ services shall be procured in accordance with Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants’ Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding. The provisions of paragraphs 2.55 and 2.56 of the Procurement Guidelines, providing for domestic preference in the evaluation of bids, shall apply to goods manufactured in the territory of the Borrower.

B. Other Procurement Procedures

1. National Competitive Bidding. Except as otherwise provided in Part B.2 through B.6 of this Section, goods estimated to cost less than \$150,000 equivalent per contract and works estimated to cost less than \$1,500,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping.

(a) Goods which cannot be grouped into larger bid packages and estimated to cost less than \$25,000 equivalent per contract, may be procured under contracts awarded on the basis of shopping procedures in accordance with the provisions of paragraphs 3.5 of the Guidelines.

(b) Goods under Part A of the Project estimated to cost less than \$500,000 equivalent per contract and works under Part A of the Project estimated to cost less than \$3,000,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works under Part A of the Project for an amount up to US\$ 500,000 per contract which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Force Account. Works which the Bank agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method. In order to respond to the need of the natural disaster, the Borrower may also call for participation of community groups and organizations.

5. Procurement under School Improvement Projects

Goods and services needed under School Improvement Projects shall be procured in accordance with procedures acceptable to the Bank as described in the School Improvement Projects and Co-Curricular Activities Manual.

6. Procurement of Small Works

Works estimated to cost less than \$150,000 equivalent per contract, may be procured under lump-sum, fixed-priced contracts awarded on the basis of quotations obtained from three qualified domestic contractors in response to a written invitation. The invitation shall include a detailed description of the works, including basic specifications, the required completion date, a basic form of agreement acceptable to the Bank, and relevant drawings, where applicable. The award shall be made to the contractor who offers the lowest price quotation for the required work, and who has the experience and resources to complete the contract successfully.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

B. Other Procedures

1. Least-cost Selection. Services for assignments which the Bank agrees meet the requirements of paragraph 3.6 of the Consultant Guidelines may be procured under contracts awarded on the basis of Least-cost Selection in accordance with the provisions of paragraphs 3.1 and 3.6 of the Consultant Guidelines.

2. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$50,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis.

4. Single Source Selection

Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines

Section IV. Review by the Bank of Procurement Decisions

Except as the Bank shall otherwise determine by notice to the Borrower, the following contracts shall be subject to Prior Review by the Bank:

- (a) each contract for works under Part B 2 (b) of Section II of this Schedule estimated to cost the equivalent of \$500,000 or more;
- (b) each contract for goods under Part B 2 (b) of Section II of this Schedule estimated to cost the equivalent of \$200,000 or more
- (c) each contract for goods and works procured under Part B.3 of Section II of this Schedule;
- (d) each contract goods and works procured under Part B.4 of Section II of this Schedule;
- (e) each contract for consultants' services provided by a firm estimated to cost the equivalent of \$100,000 or more.
- (f) Each contract for consulting firms and individual consultants to be procured through single source under Parts B.3 and B.4 of Section III to this Schedule respectively.

All other contracts shall be subject to Post Review by the Bank

Fabiola Altimari

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October 25, 2004 8:11 PM