

**PUBLIC DISCLOSURE AUTHORISED**

**CARIBBEAN DEVELOPMENT BANK**



**EIGHTH WATER (DENNERY NORTH WATER SUPPLY REDEVELOPMENT) PROJECT –  
SAINT LUCIA  
VARIATION OF TERMS AND CONDITIONS**

This Document is being made publicly available in accordance with the Bank's Information Disclosure Policy. The Bank does not accept responsibility for the accuracy or completeness of the Document.

Board of Directors – Approval of a Paper without a Meeting  
April 9, 2018

*Director  
Projects Department*

*Mr. Daniel M. Best*

*Division Chief  
Economic Infrastructure Division*

*Mr. L. O'Reilly Lewis*

**APRIL 2018**



**Any designation or demarcation of, or reference to, a particular territory or geographic area in this Document is not intended to imply any opinion or judgment on the part of the Bank as to the legal or other status of any territory or area or as to the delimitation of frontiers or boundaries.**

**CARIBBEAN DEVELOPMENT BANK**

**BOARD OF DIRECTORS – APPROVAL OF A PAPER**

**WITHOUT A MEETING**

**APRIL 9, 2018**

**PAPER BD 58/16 Add. 1**

**EIGHTH WATER (DENNERY NORTH WATER SUPPLY REDEVELOPMENT) PROJECT –  
SAINT LUCIA  
VARIATION OF TERMS AND CONDITIONS**

**1. BACKGROUND**

1.01 At its Two Hundred and Seventy-First Meeting held on May 16, 2016, the Board of Directors (BOD) of the Caribbean Development Bank (CDB) considered Paper BD 58/16 entitled “Eighth Water (Dennery North Water Supply Redevelopment) Project” and approved:

- (a) a loan to the Government of Saint Lucia (GOSL) of an amount not exceeding the equivalent of eleven million, two hundred and twenty-eight thousand United States dollars (USD11,228,000) (the Loan) comprising:
  - (i) an amount not exceeding the equivalent of seven million one hundred and sixty-three thousand United States dollars (USD7,163,000) from the Ordinary Capital Resources (OCR) of the CDB and;
  - (ii) an amount not exceeding the equivalent of four million and sixty-five thousand United States dollars (USD4,065,000) from CDB’s Special Funds Resources (SFR); and
- (b) a grant to GOSL of an amount not exceeding the equivalent of one hundred and ten thousand United States dollars (USD110,000) (the Grant) from CDB’s SFR to assist with a technical assistance for Communications and Awareness, including non-consultancy services to prepare a plan and media to support its implementation,

to assist in water supply redevelopment including a new water supply intake, transmission, treatment and storage facilities for Dennery North. The Project will be executed by the Water and Sewerage Company Inc. (WASCO). The terms and conditions of the CDB Loan as approved by BOD are set out at Appendix 1 (the Terms and Conditions).

1.02 By Loan Agreement No. 35/SFR-OR-STL and Grant Agreement GA 49/STL, both dated October 27, 2017 (the Loan and Grant Agreements) made among CDB, GOSL and WASCO, CDB made the CDB Loan and Grant available to GOSL.

1.03 At its Two Hundred and Seventieth Meeting held on March 9, 2016, the BOD of CDB considered Paper BD 24/16 entitled “Agence Française de Développement – Loan and Grant Financing to Caribbean Development Bank” and approved, *inter alia*:

- (i) CDB borrowing from Agence Française de Développement (AFD) the equivalent of thirty million Euros (EUR30,000,000), which shall not exceed thirty-three million United States dollars (USD33,000,000) on the signing date of the Credit Facility Agreement, from the resources of AFD for inclusion in CDB’s OCR to finance applicable infrastructure projects in eligible CDB Borrowing Member Countries (BMCs) (Eligible BMCs); and
- (ii) CDB entering into an agreement with AFD providing for the line of credit substantially on the terms and conditions contained in the draft Credit Facility Agreement,

for the purpose of on-lending these resources to Eligible BMCs to assist in financing infrastructure projects with environmental and climate benefits.

1.04 CDB entered into Loan Contract dated June 17, 2016 (AFD Credit Facility Agreement) with AFD providing for the AFD Loan. The Loan Contract also establishes Credit Regulations which set out the terms and conditions for the execution of the Programme and are annexed to the AFD Loan Contract as the Credit Regulations.

## **2. REQUEST AND DISCUSSION REGARDING VARIATION OF TERMS AND CONDITIONS**

2.01 By letters dated December 18, 2017, and January 11, 2018, WASCO and GOSL informed CDB that they did not wish to retain the United Nations Office for Project Services (UNOPS) for the provision of construction supervision services of CDB-financed civil works, rather they would directly contract a consultant to provide these services, with funding to be provided by GOSL. GOSL requested that CDB consider a change in the Project’s Procurement Plan to permit WASCO to directly engage a consultant to provide construction supervision services for the Project. The proposed consultant has been engaged utilising WASCO’s procurement systems and the qualifications and experience of the consultants have been assessed by CDB staff as acceptable. CDB is satisfied that the Project will achieve the appraised expected outcomes, with the requested variation.

2.02 Reflecting the procurement changes and the actual contract value, the revised project cost is estimated at USD17,739,000 which will be financed with resources from CDB and GOSL. The additional USD237,300 over the original project cost, is attributed to an increase in the GOSL counterpart contribution.

2.03 It is also proposed that an amount not exceeding the equivalent of USD5 mn of the CDB Loan be substituted with an amount not exceeding the equivalent of USD5 mn allocated from resources provided by AFD to CDB under the AFD Credit Facility Agreement.

2.04 The Original and Revised Summary of the Project Cost, Phasing and Financing Plan is shown in Tables 1 and 2, respectively, and the Revised Project Cost, Phasing and Financing Plan is presented at Appendix 2.

**TABLE 1: ORIGINAL SUMMARY OF PROJECT COST AND FINANCING**  
(XCD '000)

Item	CDB			GOSL	Total
	OCR - Equity & Market	SFR	Grant		
1. Project Preparation	-	-	-	1,080	1,080
2. Land Acquisition	-	-	-	500	500
3. Infrastructure Works	16,689	7,582	-	10,800	35,071
4. Engineering	-	1,350	-	2,700	4,050
5. Project Management	-	631	-	178	809
6. Communications and Awareness	-	-	270	-	270
<b>Total Base Cost</b>	<b>16,689</b>	<b>9,563</b>	<b>270</b>	<b>15,258</b>	<b>41,780</b>
7. Physical Contingency <sup>1</sup>	1,669	956	27	1,282	3,934
<b>Sub-total</b>	<b>18,358</b>	<b>10,519</b>	<b>297</b>	<b>16,540</b>	<b>45,714</b>
8. Price Contingency <sup>2</sup>	371	237	-	103	711
<b>Sub-total</b>	<b>18,729</b>	<b>10,756</b>	<b>297</b>	<b>16,643</b>	<b>46,425</b>
9. IDC	475	219	-	-	694
10. Commitment Charge	136	-	-	-	136
<b>Total Financing Cost</b>	<b>19,340</b>	<b>10,975</b>	<b>297</b>	<b>16,643</b>	<b>47,255</b>
<b>USD Equivalent</b>	<b>7,163</b>	<b>4,065</b>	<b>110</b>	<b>6,164</b>	<b>17,502</b>
<b>Percentage Contribution</b>	<b>41</b>	<b>23</b>	<b>1</b>	<b>35</b>	<b>100</b>

<sup>1</sup> Physical Contingency: 10% on items 2-6

<sup>2</sup> Price Contingency: 2.50% p.a. based on World Economic Outlook forecasts

**TABLE 2: REVISED SUMMARY OF PROJECT COST AND FINANCING**  
(XCD '000)

Item	CDB				GOSL	Total
	OCR		SFR	Grant		
	Equity & Market	AFD				
1. Project Preparation	-	-	-	-	1,080	1,080
2. Land Acquisition	-	-	-	-	500	500
3. Infrastructure Works	4,952	11,737	8,932	-	10,800	36,421
4. Engineering	-	-	-	-	3,159	3,159
5. Project Management	-	-	632	-	177	809
6. Communications and Awareness	-	-	-	270	-	270
<b>Total Base Cost</b>	<b>4,952</b>	<b>11,737</b>	<b>9,564</b>	<b>270</b>	<b>15,716</b>	<b>42,239</b>
7. Physical Contingency <sup>3</sup>	495	1,174	956	27	1,464	4,116
<b>Sub-total</b>	<b>5,447</b>	<b>12,911</b>	<b>10,520</b>	<b>297</b>	<b>17,180</b>	<b>46,355</b>
8. Price Contingency <sup>4</sup>	162	209	237	-	103	711
<b>Sub-total</b>	<b>5,609</b>	<b>13,120</b>	<b>10,757</b>	<b>297</b>	<b>17,283</b>	<b>47,066</b>
9. IDC	190	285	219	-	-	694
10. Commitment Charge	41	95	-	-	-	136
<b>Total Financing Cost</b>	<b>5,840</b>	<b>13,500</b>	<b>10,976</b>	<b>297</b>	<b>17,283</b>	<b>47,896</b>
<b>USD Equivalent</b>	<b>2,163</b>	<b>5,000</b>	<b>4,065</b>	<b>110</b>	<b>6,401</b>	<b>17,739</b>
<b>Percentage Contribution</b>	<b>12</b>	<b>28</b>	<b>23</b>	<b>1</b>	<b>36</b>	<b>100</b>

<sup>3</sup> Physical Contingency: 10% on items 2-6

<sup>4</sup> Price Contingency: 2.50% p.a. based on World Economic Outlook forecasts

### **3. PROPOSAL**

3.01 In light of the above, it is proposed that the Original Terms and Conditions of the CDB Loan be varied as follows:

- (a) the OCR Portion of the CDB Loan will be seven million, one hundred and sixty-three thousand United States dollars (USD7,163,000) consisting of:
  - (i) an amount not exceeding the equivalent two million, one hundred and sixty-three thousand United States dollars (USD2,163,000) allocated from resources provided by CDB's Equity and Market Tranche; and
  - (ii) an amount not exceeding the equivalent of five million United States dollars (USD5,000,000) allocated from resources provided by AFD to CDB under the AFD Credit Facility Agreement (the AFD Tranche).
- (b) the GOSL Counterpart Contribution will be increased from sixteen million, six hundred and forty-three thousand Eastern Caribbean dollars (XCD16,643,000) to an amount not exceeding seventeen million, two hundred and eighty-three thousand Eastern Caribbean dollars (XCD17,283,000).

3.02 Disbursement of the Loan shall be varied as follows:

- (a) The first disbursement of the Loan shall be made by May 31, 2018, and the Loan shall be fully disbursed by November 30, 2019, or such later dates as CDB may specify in writing.

3.03 Procurement under the Loan shall be varied as follows:

- (a) Where AFD resources are being used together with CDB's resources for the infrastructure works, in accordance with the AFD-CDB Credit Facility Agreement, a waiver of CDB's Guidelines for Procurement (January 2006) is sought to extend eligibility for procurement to French nationals and entities.
- (b) The Procurement Plan as set out in Appendix 6.7 to Paper BD 58/16 will be changed to reflect the revised Procurement Plan set out in Appendix 2.

3.04 The proposed substitution of resources will also result in:

- (a) changes to the Project Cost, Phasing and Financing Plan as set out in Appendix 3.1 to Paper BD 58/16. These changes are reflected in the Revised Financing Plan set out in Appendix 3.

### **4. JUSTIFICATION**

4.01 The proposed variation will benefit both WASCO and CDB by facilitating: (a) a modification in the project management arrangements to be more in line with the thinking of the new management team at WASCO; and (b) the disbursement of the funds in the AFD Credit Facility, as per the commitments made under the contract with AFD. AFD staff has reviewed the original loan appraisal report and confirmed the eligibility of the project for AFD financing.



## 5. RECOMMENDATION

5.01 It is recommended that, with respect to the Loan to GOSL approved by BOD at its Two Hundred and Seventy-First Meeting held on May 16, 2016, pursuant to Paper BD58/16 entitled “Eighth Water (Dennery North Water Supply Redevelopment) Project – Saint Lucia”, (the Original Paper) BOD approve:

(a) a variation of the terms and conditions of the Original Loan as set out in the Original Paper (copy attached at Appendix 1) as follows:

(i) the deletion of sub-paragraphs 7.02(a) and (b) and the substitution therefor of the following:

“It is recommended that CDB lend to GOSL an amount not exceeding the equivalent of eleven million, two hundred and twenty-eight thousand United States dollars (USD11,228,000) (the Loan) consisting of:

(a) an amount from CDB’s Special Funds Resources (SFR) not exceeding the equivalent of four million and sixty-five thousand United States dollars (USD4,065,000) (the SFR Portion); and

(b) an amount from CDB’s Ordinary Capital Resources (OCR) not exceeding the equivalent of seven million, one hundred and sixty-three thousand United States dollars (USD7,163,000) (the OCR Portion), comprising:

(i) an amount not exceeding the equivalent of two million one hundred and sixty-three thousand United States dollars (USD2,163,000) allocated from CDB’s equity and market resources (the Equity and Market Tranche); and

(ii) an amount not exceeding the equivalent of five million United States dollars (USD5,000,000) allocated from resources provided by AFD to CDB under the AFD Credit Facility Agreement (the AFD Tranche),

to assist GOSL in financing the Loan Component of the Project on CDB’s standard terms and conditions, and on the following terms and conditions.

(iii) the deletion of sub-paragraph 7.02(1)(b) and the substitution therefor with the following:

“(b) in the case of the OCR Portion:

(i) the Equity and Market Tranche shall be paid in forty-eight (48) equal or approximately equal and consecutive quarterly instalments commencing five (5) years after the date of the Loan Agreement; and

(ii) the AFD Tranche shall be paid in forty-eight (48) equal or approximately equal and consecutive quarterly instalments commencing five (5) years after the date of the Loan Agreement.”

- (iv) the addition of a new sub-paragraph 7.02(4)(e) as follows:
  - “(e) The Loan shall not be used to finance any activity set out in Appendix 4 of this paper.”
- (v) the deletion of sub-paragraph 7.02(5) and the substitution therefor with the following:
  - “(5) Procurement:
    - (a) Except as provided in sub-paragraph (b) below, procurement shall be in accordance with the procedures set out and/or referred to in the Loan Agreement between CDB, WASCO and GOSL, or such other procedures as CDB may from time to time specify in writing. The Procurement Plan approved by CDB is set out in Appendix 6.7. Any revisions to the Procurement Plan shall require CDB’s prior approval in writing.
    - (b) In respect of infrastructure works, a waiver of CDB’s Guidelines for Procurement (January 2006) is sought to extend eligibility for procurement to French nationals and entities.”
- (vi) the deletion of the acronym “UNOPS” in sub-paragraph 7.02(7)(c) and the replacement therefor with the word “Consultants”;
- (vii) the deletion of the acronym “UNOPS” in sub-paragraph 7.02(8)(b)(dd) and the replacement therefor with the word “Consultants”;
- (viii) the deletion of sub-paragraph 7.02(8)(c)(vii) and the substitution therefor with the following:
  - “(vii) except as CDB may otherwise agree, reduce its accounts receivables to the equivalent of not more than 90 days’ sales by December 31, 2019 and to no more than the equivalent of 60 days’ sales by December 31, 2020;”;
- (ix) the deletion of the date in sub-paragraph 7.02(7)(c)(xi) and the replacement therefor with the following new date: “December 31, 2018”;
- (x) the deletion of sub-paragraph 7.02(8)(d) and the substitution therefor with the following:
  - “(d) Except as CDB may otherwise agree, GOSL shall:
    - (i) contribute or procure WASCO to contribute towards the Project an amount not exceeding the equivalent of seventeen million, two hundred and eighty-three thousand Eastern Caribbean dollars (XCD17,283,000); and

- (ii) by December 31, 2018 make a declaration pursuant to the Forest, Soil and Water Ordinance 1945 (as amended) that the proposed intake area for the Project is a Prohibited Area”; and
- (xi) the addition of a new sub-paragraph 7.02(8)(e) as follows:
  - “(e) CDB Bank shall be entitled to suspend, cancel or call in the Loan, if the AFD resources, or any part thereof is suspended, cancelled or required to be refunded”;
- (xii) the addition of a new sub-paragraph 7.02(8)(f) as follows:
  - “(f) GOSL or EBS may, for the purposes of, and during the implementation of the Project open and maintain a Designated Account (DA) at the Central Bank of Saint Lucia or a commercial financial institution, acceptable to the Bank, through which eligible expenditures under the Project, and only such activities, will be financed. If a DA is established, the Borrower or the Executing Agency shall:
    - (i) operate the account in accordance with the Terms and Conditions for the Operation of the Designated Account set out at Appendix 5 of this paper;
    - (ii) establish and maintain internal controls for the proper operation of the DA, including the use of statements of expenditure prepared and certified by the Borrower or Executing Agency, in form and substance acceptable to the Bank, to support the payments and application; and
    - (iii) retain the statements of expenditure and supporting documentation for inspection and verification and shall permit the Bank or its nominee to perform an annual performance audit of the DA and all disbursements made against the statements of expenditure in relation to the Project”.
- (b) the deletion of Appendix 3.1 – Project Cost, Phasing and Financing Plan – of the Original Paper and the substitution therefor with a new Appendix 3.1 (Revised Project Cost, Phasing and Financing Plan) as set out in Appendix 2 of this paper;
- (c) the deletion of Appendix 6.7 – Procurement Plan of the Original Paper and the substitution therefor with a new Appendix 6.7 (Revised Procurement Plan) as set out in Appendix 3 of this Paper;
- (d) the addition of a new Appendix 6.9 – Agence Française de Développement Exclusion List as set out in Appendix 4 of this paper; and
- (e) the addition of a new Appendix 6.10 – Terms and Conditions for the Operation of the Designated Account as set out in Appendix 5 of this paper.

5.02 It is also recommended that, with respect to the Grant to WASCO approved by BOD at its Two Hundred and Seventy-First Meeting held on May 16, 2016, pursuant to the Original Paper, BOD approve a variation of the terms and conditions of the Grant by the deletion of sub-paragraph 7.03(1)(c) and the substitution therefor with the following:

- “(c) The first disbursement of the Grant shall be made by April 30, 2018, and the Grant shall be fully disbursed by October 31, 2019, or such later dates as CDB may specify in writing.”

**SUPPORTING DOCUMENTATION**

- Appendix 1 - Original Terms and Conditions
- Appendix 2 - Revised Procurement Plan
- Appendix 3 - Revised Project Cost, Phasing and Financing Plan
- Appendix 4 - Agence Française De Développement Exclusion List
- Appendix 5 - Terms and Conditions for the Operation of the Designated Account

**ORIGINAL TERMS AND CONDITIONS**

**(Paper BD 58/16)**

7.01 The proposed financing for the Project is as follows:

- (a) a loan to GOSL of an amount not exceeding the equivalent of eleven million, two hundred and twenty-eight thousand United States dollars (USD11,228,000) to assist GOSL in financing the redevelopment of the Dennergy North water supply system, including the provision of project management, infrastructure works, and engineering consultancy services (the Loan Component); and
- (b) a grant to GOSL of an amount not exceeding the equivalent of one hundred and ten thousand United States dollars (USD110,000) to assist GOSL in financing the communications and awareness TA (the Grant Component) (together with the Loan Component, the Project).

7.02 It is recommended that CDB lend to GOSL an amount not exceeding the equivalent of eleven million, two hundred and twenty-eight thousand United States dollars (USD11,228,000) (the Loan) consisting of:

- (b) an amount from CDB's Special Funds Resources (SFR) not exceeding the equivalent of four million, and sixty-five thousand United States dollars (USD4,065,000) (the SFR Portion); and
- (c) an amount from CDB's Ordinary Capital Resources (OCR) not exceeding the equivalent of seven million, one hundred and sixty-three thousand United States dollars (USD7,163,000) (the OCR Portion),

to assist GOSL in financing the Loan Component of the Project on CDB's standard terms and conditions, and on the following terms and conditions:

- (1) **Repayment:** Repayment of the Loan shall be made as follows:
  - (a) in the case of the SFR Portion shall be paid in eighty (80) equal or approximately equal and consecutive quarterly instalments commencing five (5) years after the date of the Loan Agreement; and
  - (b) in the case of the OCR Portion shall be paid in forty-eight (48) equal or approximately equal and consecutive quarterly instalments commencing five (5) years after the date of the Loan Agreement.
- (2) **Interest:** Interest rate to be paid quarterly:
  - (a) at the rate of two decimal five percent (2.5%) p.a. on the amount of the SFR Portion withdrawn and outstanding from time to time; and
  - (b) at the rate of two decimal nine seven percent (2.97%) p.a. (variable) on the OCR Portion withdrawn and outstanding from time to time.

- (3) **Commitment Charge:** A commitment charge at the rate of one percent (1%) p.a. shall be payable on the amount of the OCR Portion unwithdrawn from time to time. Such charge shall accrue from the sixtieth (60<sup>th</sup>) day after the date of the Loan Agreement and shall be payable quarterly.
- (4) **Disbursement:**
- (a) The first disbursement of the Loan shall be made by October 1, 2016 and the Loan shall be fully disbursed by March 31, 2018 or such later date as CDB may specify in writing.
  - (b) Except as CDB may otherwise agree:
    - (i) the Loan shall be used exclusively to finance the components of the Project allocated for financing by CDB as shown in the Project Cost, Phasing and Financing Plan for the Project at Appendix 3.1 up to the respective limits specified therein; and
    - (ii) total disbursements shall not exceed in the aggregate 65% of the project costs.
  - (c) Disbursement shall be made ratably from the OCR Portion and the SFR Portion in accordance with the respective amounts thereof.
  - (d) The Loan shall not be used to meet any part of the cost of the Project which consists of identifiable taxes and duties.
- (5) **Procurement:**
- (a) Except as provided in sub-paragraphs (b) and (c) below, procurement shall be in accordance with the procedures set out and/or referred to in the Loan Agreement between CDB and GOSL, or such other procedures as CDB may from time to time specify in writing. The Procurement Plan approved by CDB is set out in Appendix 6.7. Any revision to the Procurement Plan shall require CDB's prior approval in writing.
  - (b) Procurement relating to infrastructure works shall be in accordance with UNOPS' procurement procedures and country eligibility will be extended to countries which are eligible under the prevailing UNOPS Procurement Manual, which are not CDB member countries.
  - (c) For the purposes of UNOPS' selection of sub-consultants and experts and for the supply of goods required to perform their services, eligibility is extended to all countries.

(6) **Conditions Precedent to First Disbursement of the Loan:**

CDB shall not be obliged to disburse any amount in respect of the infrastructure works until:

- (a) HPMU, referred to in sub-paragraph 8(b)(ii) below, shall have been assigned as PC; and
- (b) PSC, referred to in sub-paragraph 8(c)(ii), below shall have been established.

(7) **Conditions Precedent to Disbursement in relation to Infrastructure Works:**

- (a) the detailed designs, the ESMP and evidence of environmental permits referred to in sub-paragraph 8(c)(i)(bb). shall have been submitted to CDB; and
- (b) GOSL shall have provided evidence, acceptable to CDB, that lands required for the Project have been vested in GOSL, free of any encumbrances, covenants, conditions and stipulations, or alternatively, that arrangements acceptable to CDB have been made for the entry by GOSL into possession of such lands, or the exercise of rights over such lands, for the purposes of the Project; and
- (c) UNOPS referred to in paragraph 8(b)(i)(dd) below, shall have been engaged.

(8) **Other Conditions:**

- (a) Except as CDB may otherwise agree, GOSL shall carry out the Project through WASCO;
- (b) WASCO shall:
  - (i) select and engage, according to procurement procedures applicable to the Loan:
    - (aa) competent and experienced contractors to carry out the infrastructure works;
    - (bb) PE to provide the services set out in the TOR at Appendix 2.3;
    - (cc) CLO to provide the services set out in the TOR at Appendix 2.3; and
    - (dd) UNOPS to carry out the supervision services set out in the TOR at Appendix 2.2.
  - (ii) assign HPMU as PC with duties and responsibilities set out in the TOR at Appendix 2.3. The qualifications and experience of any person subsequently appointed/assigned to the position of PC shall be acceptable to CDB;

- (c) WASCO shall:
- (i) adhere to the following arrangements in carrying out the Project:
    - (aa) carry out the Project at all times with due diligence and efficiency, with management personnel whose qualifications and experience are acceptable to CDB, and in accordance with sound technical, environmental, financial and managerial standards and practices;
    - (bb) prior to the commencement of infrastructure works, submit to CDB the detailed designs and an ESMP for its no-objection and copies of all environmental permits required for the operation of the Project, and, without limiting the foregoing, execute, implement and operate the Project in compliance with all laws and regulations, particularly environmental laws, to which the Project is subject;
    - (cc) for the duration of the Project, maintain in force all rights-of-way or use or easement and all permits necessary for the execution and operation of the Project; and
    - (dd) institute and maintain organisational, administrative, accounting, and auditing arrangements for the Project acceptable to CDB.
  - (ii) in order to promote participation of, and interaction amongst, stakeholders establish and, for the duration of the Project, maintain a PSC with composition, duties and responsibilities as set out in the TOR at Appendix 6.5;
  - (iii) adequately maintain the infrastructure financed under the Project;
  - (iv) except as CDB may otherwise agree, establish, and for the duration of the Project, maintain the composition and functions of the PMU. Any changes to the composition and functions of the PMU shall require CDB's prior approval in writing;
  - (v) undertake an annual condition assessment of the project infrastructure commencing no later than six (6) months after the certificate of completion has been issued and submit to CDB the report of that assessment within one (1) month of its completion;
  - (vi) furnish to CDB the reports listed in Appendix 6.8 in such form or forms and substance as CDB may require, not later than the times specified therein for doing so;
  - (vii) except as CDB may otherwise agree, reduce its accounts receivables to the equivalent of not more than 90 days' sales by December 31, 2016 and to no more than the equivalent of 60 days' sales by December 31, 2020;



- (viii) except as CDB may otherwise agree, maintain a minimum debt service coverage ratio of not less than one and half (1.5) times its debts over the life of the Loan;
  - (ix) except as CDB may otherwise agree, commencing the financial year ending December 31, 2018, achieve a minimum return on average net fixed assets of three per cent (3.0%) and an interest cover three (3) times interest expense;
  - (x) implement a fully functional CIS acceptable to CDB by June 1, 2017, or such later date as may be specified in writing by CDB; and
  - (xi) by October 31, 2016, hire a suitably qualified person to fill the post of Design and Construction Manager at WASCO. The qualification and experience of any person hired to fill the post of Design and Construction Manager shall be acceptable to CDB.
- (d) Except as CDB may otherwise agree, GOSL shall:
- (i) contribute or procure WASCO to contribute towards the Project an amount not exceeding the equivalent of sixteen million, six hundred and forty-three thousand dollars (\$16,643,000); and
  - (ii) by December 31, 2017, make a declaration pursuant to the Forest, Soil and Water Ordinance 1945 (as amended) that the proposed intake area for the Project is a Prohibited Area.
- (e) Except as CDB shall otherwise agree, Section 3.11 of the General Provisions shall not apply to this Loan Agreement.

7.03 It is also recommended that CDB makes a grant to WASCO of an amount not exceeding the equivalent of one hundred and ten thousand United States dollars (USD110,000) (the Grant) from CDB's SFR to assist WASCO in financing the Grant Component, on CDB's standard terms and conditions, and on the terms and conditions set out below:

(1) **Disbursement**

- (a) Except as CDB may otherwise agree, and subject to sub-paragraph (b) below, disbursement of the Grant in respect of the communications and awareness TA (CATA) shall be made as follows:
  - (i) an amount not exceeding the equivalent of fifty thousand United States dollars (USD50,000) (the Advance) shall be paid to WASCO as an advance on account of expenditures in respect of the CATA after receipt by CDB of:
    - (aa) a request in writing from WASCO for such funds;

- (bb) evidence of a signed contract between WASCO and the communications and awareness specialist to be engaged to carry out the services described in Appendix 2.4; and
- (cc) evidence acceptable to CDB that the condition precedent to first disbursement of the Grant set out in sub-paragraph (3) below has been satisfied.
- (ii) the balance of the Grant shall be paid to WASCO periodically after receipt by CDB of an account and documentation, satisfactory to CDB, in support of expenditures incurred by WASCO in respect of the CATA.
- (b) CDB shall not be under any obligation to make
  - (i) the first such payment under sub-paragraph 1(a)(ii) above until CDB shall have received an account and documentation, satisfactory to CDB, in support of expenditures incurred by WASCO with respect to the Advance;
  - (ii) any payment under sub-paragraph 1(a)(ii) above until CDB shall have received the requisite number of copies of the reports or other deliverables, in form and substance acceptable to CDB, to be furnished for the time being by the communications and awareness specialist to WASCO and CDB in accordance with the requirements at Appendix 2.4; and
  - (iii) payments exceeding the equivalent of ninety-nine thousand United States dollars (USD 99,000) or ninety percent (90%) of the amount of the Grant until CDB shall have received:
    - (aa) the requisite number of copies of the Final Reports or other deliverables in form and substance acceptable to CDB to be furnished by the communications and awareness specialist in accordance with the requirements at Appendix 2.4 ; and
    - (bb) a certified statement of the expenditures incurred by WASCO in respect of and in connection with the Grant.
- (c) The first disbursement of the Grant shall be made by October 1, 2016 and the Grant shall be fully disbursed by March 31, 2018 or such later dates as CDB may specify in writing.

(2) **Procurement:**

- (a) Procurement for the communications and awareness services shall be in accordance with the procedures set out and/or referred to in the Grant Agreement or such other procedures as CDB may from time to time specify in writing.
- (b) The Procurement Plan is set out in Appendix 6.7. Any revisions to this Plan shall require CDB's prior approval in writing.

(3) **Condition Precedent to First Disbursement of the Grant:**

- (a) The conditions precedent to first disbursement of the Loan shall have been satisfied.

(4) **Other Conditions:**

- (a) Except as CDB may otherwise agree, WASCO shall:
- (i) in accordance with the procurement procedures applicable to the Grant, select and engage a competent and experienced communications and awareness specialist to carry out the services set out in Appendix 2.4; and
  - (ii) within a time frame acceptable to CDB implement such recommendations arising from the CATA as may be acceptable to CDB.
- (b) Except as CDB may otherwise agree, WASCO shall:
- (i) meet or cause to be met:
    - (aa) any amount by which the cost of the Grant Component exceeds the amount set out in the budget with respect to CATA; and
    - (bb) the cost of any other items needed for the purpose of, or in connection with, the Grant Component.
  - (ii) provide or cause to be provided, all other inputs that may be required for the punctual and efficient carrying out of the Grant Component not being financed by CDB.
- (c) CDB shall be entitled to suspend, cancel or require a refund of the Grant, or any part thereof, if the Loan, or any part thereof is suspended, cancelled, or called in, except that WASCO shall not be required to refund any amount of the Grant already expended in connection with the Grant Component and not recoverable by WASCO.

**REVISED PROCUREMENT PLAN**

**I. General**

**1. Project Information:**

**Country:** Saint Lucia

**Borrower:** GOSL

**Project Name:** Eighth Water (Dennery North Water Supply Redevelopment)

**Project Implementing Agency:** WASCO

**2. Bank's Approval Date of the Procurement Plan:** May 2018

**3. Period Covered by this Procurement Plan:** May 2018 to November 2019

**II. Goods and Works and Non-Consulting Services**

**1. Prior Review Threshold:** Procurement decision subject to prior review by the Bank as stated in Appendix 2 to the Guidelines for Procurement:

	<b>Procurement Method</b>	<b>Prior Review Threshold</b>	<b>Comments</b>
1.	ICB (Works)	<input type="checkbox"/>	
2.	Direct Contracting	<input type="checkbox"/>	
3.	Non-Bank Funded	<input type="checkbox"/>	<input type="checkbox"/>

**2. Prequalification.** Yes.

**3. Reference to (if any) Project Operational/Procurement Manual:** CDB Guidelines for Procurement (January 2006).

**4. Any Other Special Procurement Arrangements:** Where AFD resources are being used together with CDB's resources for the infrastructure works, in accordance with the AFD-CDB Credit Facility Agreement, a waiver of CDB's Guidelines for Procurement (January 2006) is sought to extend eligibility for procurement to French nationals and entities

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

**5. Procurement Packages with Methods and Time Schedule**

1	2	3	4	5	6	7	8	9
Ref No.	Contract (Description)	Estimated Cost (USD)	Procurement Method	Prequalification (Yes/No)	Regional Preference (Yes/No)	Review by Bank (Prior/Post)	Expected Bid-Opening Date	Comments
1.	Infrastructure Works	██████	NBF	Yes	No	N/A	February 29, 2016	Phase 1 complete January 2018 - \$5,451,061
2.	Infrastructure Works	██████	DC	No	No	Prior	February 29, 2016	Phase 2 estimated cost - \$8,640,827
3.	Media	██████	DC	No	No	Post	September 2016	Several small contracts. Includes periodic production of material to support Communications and Awareness Plan and post-projects video production.
4.	Project Management Support	██████	NBF	N/A	N/A	N/A	N/A	Provision equipment, transportation, etc. for Project Engineer (PE) and Community Liaison Officer (CLO).

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

**III. Consulting Services**

- 1. Prior Review Threshold:** Procurement decision subject to prior review by the Bank as stated in Appendix 1 to the Guidelines for the Selection and Engagement of Consultants:

	<b>Selection Method</b>	<b>Prior Review Threshold</b>	<b>Comments</b>
1.	Firms: ICS		
2.	Firms: Single Source		
3.	Firms: CQS		

- 2. Short list comprising entirety of national consultants:** N/A
- 3. Reference to (if any) Project Operational/Procurement Manual:** CDB Guidelines for Selection and Engagement of Consultants (October 2011).
- 4. Any Other Special Procurement Arrangements:** None.
- 5. Procurement Packages with Selection Methods and Time Schedule:**

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
<b>Ref No.</b>	<b>Assignment (Description)</b>	<b>Estimated Cost (USD)</b>	<b>Selection Method</b>	<b>Review by Bank (Prior/Post)</b>	<b>Expected Proposal Submission Date</b>	<b>Comments</b>
1.	Construction Supervision (Phase 1)		NBF	N/A	N/A	UNOPS
2.	Construction Supervision (Phase 2)		NBF	N/A	N/A	UNOPS not retained for Phase 2 and local consultant engaged
3.	Communications and Awareness Plan		CQS	Prior	March 2018	
4.	PE		ICS	Prior	December 2017	PE to be engaged February 2018
5.	CLO		ICS	Prior	March 2018	

**IV. Implementing Agency Capacity Building Activities**

Project Management Unit staff will be provided with access so that they can participate in CDB’s online procurement course.

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank’s Information Disclosure Policy.

V. Summary of Proposed Procurement Arrangement

Project Component	CDB (USD'000)									NBF (USD'000)		Total Cost (USD'000)
	Primary	Secondary			Other					Country	Institution	
	ICB	LIB	RCB	NCB	Shopping	DC	ICS	CQS	SSS			
1. Project Preparation	-	-	-	-	-	-	-	-	-	-	-	-
2. Land Acquisition	-	-	-	-	-	-	-	-	-	-	-	-
3. Infrastructure Works	-	-	-	-	-	-	-	-	-	-	-	-
4. Engineering Services	-	-	-	-	-	-	-	-	-	-	-	-
5. Project Management	-	-	-	-	-	-	-	-	-	-	-	-
6. Communication and Awareness	-	-	-	-	-	-	-	-	-	-	-	-
<b>Base Costs</b>	-	-	-	-	-	-	-	-	-	-	-	-
7. Physical Contingency	-	-	-	-	-	-	-	-	-	-	-	-
8. Price Contingency	-	-	-	-	-	-	-	-	-	-	-	-
9. IDC	-	-	-	-	-	-	-	-	-	-	-	-
10. Commitment Charges	-	-	-	-	-	-	-	-	-	-	-	-
<b>Total Project Costs</b>	-	-	-	-	-	-	-	-	-	-	-	-

- |     |                                   |      |                                   |
|-----|-----------------------------------|------|-----------------------------------|
| CQS | Consultant Quality Selection      | NCB  | National Competitive Bidding      |
| DC  | Direct Contracting                | QCBS | Quality- and Cost-Based Selection |
| EOI | Expression of Interest            | RCB  | Regional Competitive Bidding      |
| FA  | Force Account                     | RFP  | Request for Proposal              |
| ICB | International Competitive Bidding | RFQ  | Request for Quotation             |
| IDC | Interest During Construction      | SSS  | Single Source Selection           |
| LIB | Limited International Bidding     |      |                                   |
| NBF | Non-Bank Financed                 |      |                                   |

This information is withheld in accordance with one or more of the exceptions to disclosure under the Bank's Information Disclosure Policy.

**REVISED PROJECT COST, PHASING AND FINANCING PLAN**

Item	2016	2017	2018					Total
	GOSL	GOSL	CDB				GOSL	
			OCR		SFR	GRANT		
			Equity & Market	AFD				
1. Project Preparation	1,080		-	-	-	-	-	-
2. Land Acquisition			-	-	-	-	500	500
3. Infrastructure Works		10,800	3,962	11,737	8,039	-	-	23,737
4. Engineering		1,350	-	-	-	-	1,809	1,809
5. Project Management			-	-	583	-	168	751
6. Communications and			-	-	-	135	-	135
<b>Base Cost</b>	<b>1,080</b>	<b>12,150</b>	<b>3,962</b>	<b>11,737</b>	<b>8,622</b>	<b>135</b>	<b>2,477</b>	<b>26,932</b>
7. Physical Contingency		1,215	396	1,174	862	14	248	2,693
<b>Sub-total</b>	<b>1,080</b>	<b>13,365</b>	<b>4,358</b>	<b>12,911</b>	<b>9,484</b>	<b>149</b>	<b>2,725</b>	<b>29,626</b>
8. Price Contingency			99	209	192	-	102	602
<b>Sub-total</b>	<b>1,080</b>	<b>13,365</b>	<b>4,457</b>	<b>13,120</b>	<b>9,676</b>	<b>149</b>	<b>2,827</b>	<b>30,228</b>
9. IDC			38	65	47	-	-	150
10. Commitment charge			40	94	-	-	-	-
<b>Total Financing Costs</b>	<b>1,080</b>	<b>13,365</b>	<b>4,535</b>	<b>13,279</b>	<b>9,723</b>	<b>149</b>	<b>2,827</b>	<b>30,378</b>
<b>Percentage Contribution</b>			-	-	-	-	-	-
<b>USD Equivalent</b>	<b>400</b>	<b>4,950</b>	<b>1,680</b>	<b>4,918</b>	<b>3,601</b>	<b>55</b>	<b>1,047</b>	<b>11,251</b>

Physical Contingency: 10% on items 2-6; Price Contingency: 2.50%



**REVISED PROJECT COST, PHASING AND FINANCING PLAN (CONT'D)**

Item	2019						Totals						
	CDB					Total	CDB					Total	
	OCR		SFR	GRANT	GOSL		OCR		SFR	GRANT	GOSL		
	Equity & Market	AFD					CDB	AFD					
1. Project Preparation	-	-	-	-	-	-	-	-	-	-	-	1,080	1,080
2. Land Acquisition	-	-	-	-	-	-	-	-	-	-	-	500	500
3. Infrastructure Works	990	-	893	-	-	1,884	4,952	11,737	8,932	-	-	10,800	36,421
4. Engineering	-	-	-	-	-	-	-	-	-	-	-	3,159	3,159
5. Project Management	-	-	49	-	9	58	-	-	632	-	-	177	809
6. Communications and	-	-	-	135	-	135	-	-	-	-	270	-	270
<b>Base Cost</b>	<b>990</b>	<b>-</b>	<b>942</b>	<b>135</b>	<b>9</b>	<b>2,077</b>	<b>4,952</b>	<b>11,737</b>	<b>9,564</b>	<b>270</b>	<b>-</b>	<b>15,716</b>	<b>42,239</b>
7. Physical Contingency	99	-	94	14	1	208	495	1,174	956	27	-	1,464	4,116
<b>Sub-total</b>	<b>1,089</b>	<b>-</b>	<b>1,036</b>	<b>149</b>	<b>10</b>	<b>2,284</b>	<b>5,447</b>	<b>12,911</b>	<b>10,520</b>	<b>297</b>	<b>-</b>	<b>17,180</b>	<b>46,355</b>
8. Price Contingency	63	-	44	-	1	108	162	209	237	-	-	103	711
<b>Sub-total</b>	<b>1,152</b>	<b>-</b>	<b>1,081</b>	<b>149</b>	<b>11</b>	<b>2,392</b>	<b>5,609</b>	<b>13,120</b>	<b>10,757</b>	<b>297</b>	<b>-</b>	<b>17,283</b>	<b>47,066</b>
9. IDC	152	220	172	-	-	544	190	285	219	-	-	-	694
10. Commitment charge	1	1	-	-	-	-	41	95	-	-	-	-	136
<b>Total Financing Costs</b>	<b>1,305</b>	<b>221</b>	<b>1,253</b>	<b>149</b>	<b>11</b>	<b>2,937</b>	<b>5,840</b>	<b>13,500</b>	<b>10,976</b>	<b>297</b>	<b>-</b>	<b>17,283</b>	<b>47,895</b>
<b>Percentage Contribution</b>	-	-	-	-	-	-	12	28	23	1	-	36	100
<b>USD Equivalent</b>	<b>484</b>	<b>-</b>	<b>464</b>	<b>55</b>	<b>4</b>	<b>1,088</b>	<b>2,163</b>	<b>5,000</b>	<b>4,065</b>	<b>110</b>	<b>-</b>	<b>6,401</b>	<b>2</b>

Physical Contingency: 10% on items 2-6; Price Contingency: 2.50%

**AGENCE FRANÇAISE DE DÉVELOPPEMENT EXCLUSIONS LIST**

1. Production or trade in any product or activity deemed illegal under French and host country laws or regulations or international conventions and agreements.
2. Production or activities involving forced labour or child labour.
3. Trade in wildlife or wildlife products regulated under CITES.
4. Drift net fishing in the marine environment using nets in excess of 2.5 km. in length.
5. Any activity involving or requiring destruction of Critical Habitat and any forest project under which no sustainable development and managing plan is carried out.
6. Production or use of or trade in hazardous materials such as asbestos fibres and products containing PCBs.
7. Production, use of or trade in pharmaceuticals, pesticides/herbicides, chemicals, ozone depleting substances and other hazardous substances subject to international phase-outs or bans.
8. Cross-border trade in waste and waste products unless compliant to the Basel Convention and the underlying regulations.
9. Production or trade in weapons, ammunitions, tobacco and/or hard liquor for human consumption.
10. Gambling, casinos and any equivalent enterprises.
11. Any business relating to pornography or prostitution.
12. Any activity involving significant alteration, damage or removal of any Critical Cultural Heritage.
13. Production and distribution of racist, anti-democratic or with the intent to discriminate part of the population.

**TERMS AND CONDITIONS FOR THE OPERATION  
OF THE DESIGNATED ACCOUNT**

1. After CDB has received evidence satisfactory to it that the DA has been duly opened by GOSL or WASCO at the Central Bank or another commercial financial institution, GOSL or WASCO shall make a request to CDB for an amount not exceeding three (3) months Eligible Expenditures to be withdrawn from the Loan Account and deposited in the DA. On the basis of such request or requests, CDB shall, on behalf of GOSL or WASCO, pay from the proceeds of the Loan and deposit in the DA such amount or amounts as GOSL or WASCO shall have requested.
2. GOSL or WASCO shall furnish to CDB at regular intervals, requests for subsequent payments from the Loan to be deposited into the DA to replenish that account. Prior to, or at the time of each such request, GOSL or WASCO shall furnish to CDB the documents and other evidence required by CDB for the payment or payments in respect of which replenishment is requested. On the basis of each such request, CDB shall, on behalf of GOSL or WASCO, pay from the Loan and deposit into the DA such amount as GOSL or WASCO shall have requested and as shall have been shown by the said documents and other evidence to have been paid out of the DA for Eligible Expenditures
3. Payments out of the DA shall be made exclusively for expenditures in respect of the reasonable cost of goods, works and services (including consultancy and non-consultancy services) required for the components of the Project allocated for financing by CDB as shown in the Project Cost, Phasing and Financing Plan up to the respective limits specified therein ("Eligible Expenditures").
4. For each payment made by GOSL or WASCO out of the DA, GOSL or WASCO shall, at such time as CDB shall reasonably request, furnish to CDB such documents and other evidence showing that such payment was made to meet expenditures in connection with the project as they were actually incurred.
5. Notwithstanding the provisions of paragraph 2 hereof, CDB shall not be required to make further deposits into the DA:
  - (a) if, at any time, CDB shall have determined that all further payments should be made to GOSL or WASCO directly from the Loan Account in accordance with the provisions of the Loan Agreement;
  - (b) if GOSL or WASCO shall have failed to furnish to CDB, within the period of time to be specified in the Loan Agreement any of the audit or other reports required to be furnished to CDB pursuant to the said Agreement in respect of the monitoring and audit of the records and accounts for the DA; or
  - (c) if, at any time, CDB shall have notified GOSL or WASCO of its intention to suspend in whole or in part the right of GOSL or WASCO to receive payments from the Loan pursuant to the provisions of the Loan Agreement; and
  - (d) once the total unpaid amount of the Loan allocated to the Eligible Expenditures, less the amount of any outstanding special commitment entered into by CDB pursuant to the Loan Agreement with respect to the Project, shall equal ten percent (10%) of the amount of the Loan.

6. Within the period of six (6) months prior to the terminal disbursement date of the Loan, payments from the Loan of the remaining unpaid amount of the Loan allocated to the Eligible Expenditures shall follow such procedures as CDB shall specify by notice to GOSL or WASCO. Such further payments shall be made only after and to the extent that CDB shall have been satisfied that all such amounts remaining on deposit in the DA, as of the date of such notice, will be utilised in making payments for Eligible Expenditures.

- (a) If CDB shall have determined at any time that any payment out of the DA:
  - (i) was made for an expenditure or in an amount not eligible pursuant to paragraph 3 hereof; or
  - (ii) was not justified by the evidence furnished to CDB, GOSL or WASCO shall, promptly upon notice from CDB:
    - (aa) provide such additional evidence as CDB may request; or
    - (bb) deposit into the DA (or, if CDB shall so request, refund to CDB) an amount equal to the amount of such payment or the portion thereof not so eligible or justified.

Unless CDB shall otherwise agree, no further deposit by CDB into the DA shall be made until GOSL or WASCO has provided such evidence or made such deposit or refund as the case may be.

- (b) If CDB shall have determined at any time that any amount outstanding in the DA will not be required to cover further payments for Eligible Expenditures, GOSL or WASCO shall, promptly upon notice from CDB, refund to CDB such outstanding amount.
- (c) If the DA is inactive for a period of six (6) months, CDB shall notify GOSL or WASCO that it will request a refund of the outstanding balance unless, within ninety (90) days GOSL or WASCO submits evidence satisfactory to CDB of Eligible Expenditure financed through the DA.
- (d) GOSL or WASCO may, upon notice to CDB, refund to CDB all or any portion of the funds on deposit in the DA.
- (e) Refunds to CDB made pursuant to sub-paragraphs 6 (b), (c) or (d) hereof shall be credited to the Loan for subsequent payment or for cancellation in accordance with the relevant provisions of the Loan Agreement.

7. Once CDB has received satisfactory documentation from GOSL for all amounts advanced to the DA, GOSL or WASCO shall furnish a bank statement to CDB showing that the account balance has been reduced to zero and the DA shall be closed.