OFFICIAL DOCUMENTS

GRANT NUMBER D243-KI

Financing Agreement

(Fourth Economic Reform Development Policy Operation)

between

REPUBLIC OF KIRIBATI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
AGREEMENT dated as of the Signature Date between REPUBLIC OF KIRIBATI ("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 I 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 grant, deemed by the Association to be on concessional terms, as set forth or referred to in this Agreement, in an amount equivalent to three million six hundred thousand Special Drawing Rights (SDR 3,600,000) ("Financing").

2.02. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.03. The Payment Dates are June 15 and December 15 in each year.

2.04. The Payment Currency is Dollar.

2.05. 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.
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 and the actions specified in Section 1 of Schedule 1 to this Agreement;

(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 1 of Schedule 1 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

4.01. The Additional Event of Suspension consists of the following, namely, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

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 the minister at the time responsible for finance.
6.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

Ministry of Finance and Economic Development
P.O. Box 67
Bairiki,
Tarawa
Republic of Kiribati; and

(b) the Recipient’s Electronic Address is:

Facsimile: E-mail:
(686) 21307 hmfed@mfep.gov.ki

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

REPUBLIC OF KIRIBATI

By

Authorized Representative

Name: Hon. Dr. TERE UTA

Title: Minister of Finance

Date: 13/12/19

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MICHEL KEEF

Title: COUNTRY DIRECTOR

Date: 29 NOVEMBER 2017
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

The actions taken by the Recipient under the Program include the following:

1. (i) The Recipient, through its Ministry of Finance and Economic Development, has completed a review of RERF custodial arrangements to ensure that the services of the provider remain competitive with current market practice and benchmarks, as evidenced by the Recipient's document titled "AMACES: Fee Benchmarking Analysis"; (ii) the Recipient, through its Cabinet, has endorsed the recommendations of the review, as evidenced by the letter from the Recipient's Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on August 2, 2016; and (iii) the Recipient has issued a request for proposal for custodial services, as evidenced by the Recipient's request for proposal for custodial services published online on April 19, 2017 on the Ministry of Finance and Economic Development's webpage <http: www.mfed.gov.ki publications request-proposal-rfp-global-custodial-services-0> accessed September 28, 2017.

2. The Recipient has improved monitoring of contingent liabilities, through: (i) quantifying the Recipient's guarantees, as evidenced by the letter from the ANZ Bank (Kiribati Limited) to the Ministry of Finance and Economic Development dated June 1, 2017 regarding "overdraft facilities for SOEs or GoK backed loans" and the Recipient's debt database file as confirmed by the letter from the Secretary to the Ministry of Finance and Economic Development to the Association dated September 28, 2017; (ii) accepting the financial statements of the five largest state-owned enterprises for the Recipient's financial year commencing January 1, 2016, as evidenced by the letter from the Recipient's Auditor General to the Association regarding the 2016 account submissions to the Kiribati National Audit Office, dated September 22, 2017; and (iii) submitting the financial statement of the Kiribati Provident Fund for the Recipient's financial year commencing April 1, 2016 to the external auditor, as evidenced by the letter from the Recipient's Auditor General to the Association regarding the 2016 account submissions to the Kiribati National Audit Office, dated September 22, 2017.

3. The Recipient: (i) through its Cabinet, has approved the Kiribati Public Procurement Reform Plan, as evidenced by the letter from the Recipient's Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on June 9, 2017; and (ii) has made the Kiribati Public Procurement Reform Plan publicly available, as evidenced by the Ministry of Finance and Economic Development's website.
4. The Recipient, through its Cabinet, has: (i) approved a fisheries joint ventures policy outlining the criteria for evaluating existing and new fisheries joint ventures, as evidenced by the letter from the Recipient’s Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on February 28, 2017; and (ii) approved a plan to annually review the performance of fisheries joint ventures against this policy, as evidenced by the letter from the Recipient’s Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on February 28, 2017.

5. The Recipient, through its Cabinet, has approved ownership and management plans for telecommunications assets in the outer islands, in order to facilitate the roll out of telecommunications services to outer islands that do not currently have access to them, as evidenced by the letter from the Recipient’s Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on June 9, 2017.

6. The Recipient, through its Cabinet, has approved: (i) a new electricity tariff that makes electricity more affordable for the poor while aligning the average tariff with cost recovery, as evidenced by the letter from the Recipient’s Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on January 6, 2017; and (ii) a reduced household electricity connection fee, to expand access to electricity, as evidenced by the letter from the Recipient’s Secretary to Cabinet to the Association dated September 25, 2017 providing details of the Cabinet decision made on April 25, 2017.

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 SDR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Withdrawal Tranche</td>
<td>3,600,000</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>3,600,000</td>
</tr>
</tbody>
</table>
C. Withdrawal Tranche Release Conditions.

No withdrawal shall be made of the Single Withdrawal Tranche unless the Association is satisfied: (a) with the Program being carried out by the Recipient; and (b) with the adequacy of the Recipient's macroeconomic policy framework.

D. Deposits of Financing Amounts. Except as the Association may otherwise agree:

1. The Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain a deposit account in Australian Dollars ("Local Currency Deposit Account") on terms and conditions satisfactory to the Association.

2. All withdrawals from the Financing Account shall be deposited by the Association into the Local Currency Deposit Account. Upon each deposit of an amount of the Financing into the Local Currency Deposit Account, the Recipient shall ensure that an equivalent amount is accounted for in the Recipient's budget management system, in a manner and substance acceptable to the Association.

E. Audit. The Recipient shall:

1. have the Local Currency Deposit Account 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 end of the Recipient's fiscal year, 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 Local Currency Deposit Account and its audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is December 31, 2018.
APPENDIX

1. "Cabinet" means the Recipient's Cabinet of Ministers.


5. "Local Currency Deposit Account" means the account referred to in Part D.1 of Section II of Schedule I to this Agreement.


7. "Program" means: the program of objectives, policies, and actions set forth or referred to in the letter dated September 1, 2017 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 I to this Agreement, and actions to be taken consistent with the program's objectives.

8. "Revenue Equalization Reserve Fund" and "RERF" means the Recipient's fund established pursuant to the Public Finance (Control and Audit) Ordinance 1977 for the purpose of storing wealth from phosphate mining activities.

9. "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.

10. "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 I to this Agreement.