Loan Agreement

(Fiscal Sustainability and Climate Resilience Development Policy Loan)

between

REPUBLIC OF FIJI

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between the REPUBLIC OF FIJI ("Borrower") and the INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, inter alia, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I.A of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank 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 — LOAN

2.01. The Bank agrees to lend to the Borrower the amount of fifteen million Dollars, ($15,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").

2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.

2.03 The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.

2.04. The interest rate is the Reference Rate plus the Variable Spread or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.

2.05. The Payment Dates are May 15 and November 15 in each year.

2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.

2.07. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.
ARTICLE III — PROGRAM

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

(a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower’s macroeconomic policy framework and the progress achieved in carrying out the Program; and

(b) without limitation upon paragraph (a) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program, including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

4.01. The Additional Event of Suspension consists of the following, namely that, 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 Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower’s macroeconomic policy framework.

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

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Borrower’s Representative is its Minister at the time responsible for finance.

6.02. For purposes of Section 10.01 of the General Conditions: (a) the Borrower’s address is:

    Ministry of Economy
    Ro Lalabalavu House
    370 Victoria Parade
    Suva, Fiji; and
b) the Borrower's Electronic Address is:

Facsimile:  E-mail:
679-330-0834  makereta.konrote@economy.gov.fj

6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

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

(b) the Bank's Electronic Address is:

Telex:  Facsimile:  E-mail:
248423(MCI) or  1-202-477-6391
cdpngpacific@worldbank.org
64145(MCI)
AGREED as of the Signature Date.

REPUBLIC OF FIJI

By

Authorized Representative

Name: NAVAZ SAVED KHAYUM
Title: ATTORNEY-GENERAL AND MINISTER FOR ECONOMY
Date: 10 APRIL 2018

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

By

Authorized Representative

Name: MICHEL KEKF
Title: COUNTRY DIRECTOR
Date: 10 APRIL 2018
SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I.  Actions under the Program

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

1. The Borrower, through its Parliament, has: (a) eliminated the dividend taxation regime, as evidenced by the Borrower’s Income Tax (Budget Amendment) Act 2017; (b) raised the minimum income-tax threshold for its male and female residents from F$16,000 to F$30,000 per annum, as evidenced by the Borrower’s Income Tax (Rates of Tax and Levies) (Amendment) Regulations 2017; (c) increased the Environment and Climate Adaptation Levy from 6 to 10 percent, as evidenced by the Borrower’s Environmental Levy (Budget Amendment) Act 2017; (d) introduced a F$0.10c charge per bag on plastic bags at retail outlets, as evidenced by the Borrower’s Environmental Levy (Budget Amendment) Act 2017; and (e) increased fiscal duties on cigarettes, tobacco, and alcohol by 15 percent, as evidenced by the Borrower’s Excise (Budget Amendment) Act 2017.

2. The Borrower, through its Ministry of Economy, has approved a new Framework to guide the strengthening of fiscal oversight of its state-owned enterprises, as evidenced by: (a) the written approval of the Borrower’s Attorney-General and Minister for Economy, dated September 27, 2017, of the minute, dated September 22, 2017, titled “Strengthening Fiscal Oversight of Public Enterprises (PEs) and Statutory Authorities (SAs) – PFTAC Technical Assistance”, from the Borrower’s principal accounts officer of the debt management unit; (b) the Report on Strengthening Fiscal Oversight of Public Enterprises and Statutory Authorities; and (c) the letter from the Borrower’s Attorney-General and Minister for Economy to the Bank, dated February 15, 2018, regarding the development and approval of the Framework.

3. The Borrower, through its Parliament, has enacted the International Arbitration Act 2017 to improve the framework governing international commercial arbitration, as evidenced by the Borrower’s International Arbitration Act 2017.

4. The Borrower, through its Parliament, has approved a new policy framework for issuing building permits to expedite the process for obtaining building permits for non-residential purposes by businesses and individuals, as evidenced by the Borrower’s Regulation of Building Permits Act 2017.
Section II. Availability of Loan Proceeds

A. General. The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.

B. Allocation of Loan Amounts. The Loan (except for amounts required to pay the Front-end Fee) is allocated in a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds. The allocation of the amounts of the Loan to this end is set out in the table below:

<table>
<thead>
<tr>
<th>Allocations</th>
<th>Amount of the Loan Allocated (expressed in Dollars)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Single Withdrawal Tranche</td>
<td>14,962,500</td>
</tr>
<tr>
<td>(2) Front-end Fee</td>
<td>37,500</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>15,000,000</td>
</tr>
</tbody>
</table>

C. Withdrawal Tranche Release Conditions.

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

D. Deposit of Loan Amounts.

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

E. Audit. The Borrower shall:

1. have the account referred to in Section 2.03 (a) of the General Conditions audited by independent auditors acceptable to the Bank, in accordance with consistently applied auditing standards acceptable to the Bank;
2. furnish to the Bank as soon as available, but in any case not later than nine (9) months after the end of the Borrower’s fiscal year, a certified copy of the report of such audit, of such scope and in such detail as the Bank shall reasonably request, and make such report publicly available in a timely fashion and in a manner acceptable to the Bank; and

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

F. Closing Date. The Closing Date is June 30, 2019.
SCHEDULE 2
Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

<table>
<thead>
<tr>
<th>Principal Payment Date</th>
<th>Installment Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each May 15 and November 15</td>
<td>5%</td>
</tr>
<tr>
<td>Beginning May 15, 2023</td>
<td>through November 15, 2032</td>
</tr>
</tbody>
</table>
APPENDIX

Section I. Definitions


4. “F$” and “Fijian Dollar” means the lawful currency of the Borrower.

5. “Framework” means the Borrower’s framework for identifying, estimating and reporting of fiscal risks arising from public enterprises and statutory authorities, referred to in the Report on Strengthening Fiscal Oversight of Public Enterprises and Statutory Authorities, with its key components described in the letter from the Borrower’s Attorney-General and Minister for Economy to the Bank, dated February 15, 2018, regarding the development and adoption of such framework.


10. "Ministry of Economy" means the Borrower’s Ministry of Economy, or any successor thereto.


12. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated February 15, 2018, from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the Program’s objectives.


14. "Report on Strengthening Fiscal Oversight of Public Enterprises and Statutory Authorities" means the Borrower’s report titled "Fiji: Strengthening Fiscal Oversight of Public Enterprises (PEs) and Statutory Authorities (SAs)") dated June 2017, prepared by the International Monetary Fund’s Pacific Financial Technical Assistance Centre and approved by the Borrower’s Attorney-General and Minister for Economy.

15. "Signature Date" means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

16. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled “Single Withdrawal Tranche” in the table set forth in Part B of Section II of Schedule 1 to this Agreement.