Financing Agreement

(Fourth Development Policy Operation)

between

TUVALU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between TUVALU ("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 1 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, which is deemed as Concessional Financing for the purposes of the General Conditions, as set forth or referred to in this Agreement, in an amount equivalent to five million two hundred thousand Special Drawing Rights (SDR5,200,000) ("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 February 15 and August 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;

(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 is 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 Conditions of Effectiveness is 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  
Vaiaku  
Funafuti  
Tuvalu  

and  

(b) the Recipient’s Electronic Address is:  

E-mail: mtoafa@gov.tv  

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 cdpngpacific@worldbank.org
AGREED as of the Signature Date.

TUVALU

By

Authorized Representative

Name: HON. MA'ATIA TOAFA
Title: MINISTER FOR FINANCE & ECONOMIC DEVELOPMENT
Date: 09 NOV 2018

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: MICHEL KEAF
Title: COUNTRY DIRECTOR
Date: 17 SEPTEMBER 2018
SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I.  Actions under the Program

The actions taken under the Program include the following:

1. The Recipient, through its Cabinet, has approved a proposal to amend the Education Act, in order to formally recognize early childhood care and education as a government competency, overseen by the Ministry of Education, Youth and Sports, as evidenced by the letter from the Clerk to Cabinet to the Ministry of Education, Youth and Sports dated March 21, 2018 confirming Cabinet Decision-M054-18 regarding the “Tuvalu Education Act Review” made on March 8, 2018.

2. The Recipient, through its Cabinet, has approved increases to selected excise and import duties on certain tobacco, alcohol and sugary beverage products to reduce non-communicable disease risk factors, as evidenced by the letter from the Clerk to Cabinet to the Ministry of Finance and Economic Development dated March 21, 2018, confirming Cabinet Decision-M036-18 regarding the “Proposed Increases to Excise and Duty Rates on Sin Goods” made on February 21, 2018; and the Customs (Tariff Order) 2018.

3. The Recipient has: (a) appointed a representative of the Recipient’s Government to the TTF Investment Committee, as evidenced by the letter from the Office of the Prime Minister to the Ministry of Finance and Economic Development dated March 21, 2018 confirming Cabinet Decision – M040-17 regarding the “Appointment of CEO TTF Secretariat, Mr Faivatala Lee Moresi on to the Investment Committee of the Tuvalu Trust Fund” made on February 8, 2017; and (b) through its participation in TTF Board decision-making: (i) increased TTF secretariat staffing, as evidenced by the Tuvalu Government General Services Contract between the TTF Board and an Administration Officer to the TTF Board dated July 31, 2017; and (ii) decided to commission an investment strategy review to better align investment management with strategic objectives, as evidenced by the letter from the Minister of Finance and Economic Development to the Association dated April 24, 2018 regarding “Completion of Actions Taken Under the Fourth International Development Association Supported Development Policy Operation in Tuvalu.”

4. The Recipient, through its Ministry of Finance and Economic Development, has approved and circulated a revision to the financial instructions mandating the documentation of annual and medium-term budgetary impact of changes in civil service pay policy, as evidenced by: the Recipient’s Financial Instructions Version 2018.01; the Ministry of Finance and Economic Development’s circular notice to the Recipient’s respective government offices regarding the “New Version of the
Government Financial Instructions (2018.01)" dated April 19, 2018; and the letter from the Minister of Finance and Economic Development to the Association dated April 24, 2018 regarding “Completion of Actions Taken Under the Fourth International Development Association Supported Development Policy Operation in Tuvalu.”


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>(1) Single Withdrawal</td>
<td>5,200,000</td>
</tr>
<tr>
<td>Tranche</td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>5,200,000</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. Deposit of Financing Amounts. Notwithstanding the provisions of Section 2.03 of the General Conditions, and 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 dedicated account in Australian Dollars ("Local Currency Dedicated 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 Dedicated Account; and

3. the Recipient shall ensure that upon each deposit of an amount of the Financing into the Local Currency Dedicated Account: (a) an equivalent amount is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association; and (b) the Recipient provides written confirmation to the Association, within thirty (30) days of receipt by the Recipient, that an equivalent amount is so accounted for under paragraph (a).

E. Audit. The Recipient shall:

1. have the Local Currency Dedicated 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 Single Withdrawal Tranche is disbursed, 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 Dedicated Account and its audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is June 30, 2019.
APPENDIX

Definitions

1. "Australian Dollar" means the lawful currency of the Recipient.

2. "Banking Commission" means the Recipient’s commission, established pursuant to Part III of the Recipient’s Banking Commission Act (Act No. 003 of 2011).

3. "Cabinet" means the Recipient’s Cabinet established under Section 73 of the Constitution of Tuvalu.

4. "Customs (Tariff Order) 2018" means the Recipient’s Customs (Tariff Order) 2018 LN 01 of 2018 made under Section 81(1) of the Recipient’s Customs Revenue and Border Protection Act (Act No. 15 of 2014).


8. "Local Currency Dedicated Account" means the account referred to in Section II.D.1 of the Schedule to this Agreement.


11. "Office of the Prime Minister" means the Recipient’s Office of the Prime Minister, established under Part V of the Constitution of Tuvalu.

12. "Program" means the program of objectives, policies, and actions set forth or referred to in the letter dated April 24, 2018 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 1 of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
13. "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.

14. "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 1 to this Agreement.


16. "Tuvalu Trust Fund" and "TTF" mean the Recipient's fund established by the agreement titled 'Agreement Concerning An International Trust Fund for Tuvalu' between Tuvalu, Australia, New Zealand, and the United Kingdom of Great Britain and Northern Ireland, dated June 16, 1987, and in accordance with the Recipient's Tuvalu Trust Fund (Finance and Information) Act (Act No. 3 of 1987), Chapter 49.A.

17. "Tuvalu Trust Fund Board" and "TTF Board" mean the board of directors of the TTF established by Article 6 of the agreement titled 'Agreement Concerning An International Trust Fund for Tuvalu' between Tuvalu, Australia, New Zealand, and the United Kingdom of Great Britain and Northern Ireland, dated June 16, 1987, and in accordance with the Recipient's Tuvalu Trust Fund (Finance and Information) Act (Act No. 3 of 1987), Chapter 4.22.