Financing Agreement

(Second Fiscal and Economic Reform Development Policy Financing)

between

INDEPENDENT STATE OF SAMOA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 22nd December, 2016
FINANCING AGREEMENT

AGREEMENT dated 22nd December, 2016, entered into between INDEPENDENT STATE OF SAMOA ("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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a credit in an amount equivalent to three million, six hundred thousand Special Drawing Rights (SDR 3,600,000) (variously, "Credit" and "Financing").

2.02. The Recipient may withdraw the proceeds of the Financing in support of the Program in accordance with Section II of Schedule 1 to this Agreement.

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are April 1 and October 1 in each year.
2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 2 to this Agreement.

2.07. The Payment Currency is Dollar.

2.08. Without limitation upon the provisions of Section 4.08 of the General Conditions (renumbered as such pursuant to paragraph 3 of Section II of the Appendix to this Agreement and relating to Cooperation and Consultation), 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 4.08 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 I 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 date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient’s Representative is the Minister of Finance.

6.02. The Recipient’s Address is:

Private Bag
Ministry of Finance
Government of Samoa
Apia
SAMOA

Facsimile:
+685 21 312

6.03. The Association’s Address is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:
1-202-477-6391
AGREED at Apia, Samoa, as of the day and year first above written.

INDEPENDENT STATE OF SAMOA

By

Authorized Representative

Name: GPA Tuioti

Title: MINISTER OF FINANCE

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Authorized Representative

Name: HOUA SUE

Title: ACTING COUNTRY DIRECTOR
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. (a) The Recipient’s Parliament has passed the amendment to the Public Finance Management Act that sets out government borrowing purposes, debt management objectives, consistency of operations with the Medium Term Debt Strategy, and requirements for annual reporting to Parliament, as evidenced through the Public Finance Management Amendment; and

(b) The Recipient, through its Cabinet, has approved an updated Medium Term Debt Strategy for the period 2016-2020, which is designed to strengthen debt policy and debt management and includes an assessment of the implementation of the previous medium term debt strategy, as evidenced through the Recipient’s Cabinet decision FK(16)27 dated July 27, 2016.

2. The Recipient, through its Ministry of Finance, has issued: (a) revised treasury instructions which allow for the use of framework arrangements in public procurement as evidenced through the Recipient’s Treasury Instructions Amendment; (b) new guidelines for the use of the said framework arrangements as evidenced through the Recipient’s National Tenders Board’s “Guidelines for Government Procurement and Contracting: Goods, Works & General Services (GWGS)” dated 2016; and (c) new procurement standard templates for major works, general services, and goods as evidenced through the Recipient’s “Government of Samoa Standard Tender Document – Works: 2016”.


4. The Recipient’s Central Bank of Samoa has submitted draft regulations to the Office of the Attorney General, in accordance with the National Payment System Act, relating to the regulation of agents that provide payment services, and oversight by the Central Bank of Samoa, as evidenced through the letter from the Central Bank of Samoa to the Office of the Attorney General titled “Review of the Two Regulations for National Payment System Act 2014: (1) Oversight Regulations 2016 (2) Agent Regulation 2016” dated March 1, 2016.
5. The Recipient, through the Samoa Tourism Authority, has completed the first annual (FY2014/15) status report on the Tourism Sector Plan, and commissioned independent reviews of its air access and marketing arrangements, as evidenced through: the Sector Plan Status Report, dated October 19, 2015; the Samoa Air Transport and Tourism Market Assessment; and the Review of Virgin Samoa JV Performance & Strategic Options.

6. The Recipient, through its Cabinet, has: (a) approved a revised policy on ownership, performance, and divestment of public bodies, as evidenced through the Cabinet decision FK(15) Special 03 dated January 21, 2015; and (b) completed the privatization of the Agriculture Store Corporation, as evidenced through Cabinet decision FK(15)42 dated December 23, 2015, and the signed Share Purchase Agreement between the Recipient and the Agriculture Store Corporation dated April 14, 2016.

7. The Recipient has: (a) through its Cabinet, established a Ministerial Committee to Monitor Climate Resilience Projects with a coordination and clearance function for climate finance, as evidenced through the Cabinet Decision FK(16)21 dated May 25, 2016; and (b) committed to integrating disaster risk and climate resilience into all sector plans in the Recipient’s Strategy for the Development of Samoa, with monitoring to occur through the new results framework of the Strategy for the Development of Samoa, as evidenced through the extract from the draft Strategy for the Development of Samoa titled “Key Outcome 14: Climate and Disaster Resilience” and the monitoring and evaluation reporting framework, and the letter from the Ministry of Finance to the Association regarding “Confirmation of Supporting Evidence for the Second Economic Development Policy Operation (DPO2) with the World Bank” dated July 25, 2016.

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. 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 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 (1) with the Program being carried out by the Recipient, and (2) with the adequacy of the Recipient’s macroeconomic policy framework.

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

1. all withdrawals from the Financing Account shall be deposited by the Association into a deposit account in Dollar (“Foreign Currency Deposit Account”) designated by the Recipient and acceptable to the Association; and

2. the Recipient shall ensure that upon the deposit of an amount of the Financing into the Foreign Currency Deposit Account, an equivalent amount in Samoan Tala is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.

E. **Audits.**

The Recipient shall:

1. have the Foreign 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 Foreign Currency Deposit Account and their audit as the Association shall reasonably request.

F. **Excluded Expenditures.** The Recipient undertakes that the proceeds of the Financing shall not be used to finance Excluded Expenditures. If the Association determines at any time that an amount of the Financing was used to make a payment for an Excluded Expenditure, the Recipient shall, promptly upon notice from the Association, refund an amount equal to the amount of such payment to the Association. Amounts refunded to the Association upon such request shall be cancelled.

G. **Closing Date.** The Closing Date is December 31, 2017.
SCHEDULE 2

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each April 1 and October 1</td>
<td>1%</td>
</tr>
<tr>
<td>commencing October 1, 2026 to and including April 1, 2036</td>
<td></td>
</tr>
<tr>
<td>commencing October 1, 2036 to and including April 1, 2056</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions

1. "Agriculture Store Corporation" means the statutory corporation established by the Recipient's Agriculture Store Corporation Act (1975) No. 21, and dissolved under the Recipient’s Agriculture Store Repeal Act (2013) No XX.

2. “Excluded Expenditure” means any expenditure:

   (a) for goods or services supplied under a contract which any national or international financing institution or agency other than the Association or the Bank has financed or agreed to finance, or which the Association or the Bank has financed or agreed to finance under another credit, grant or loan;

   (b) for goods included in the following groups or sub-groups of the Standard International Trade Classification, Revision 3 (SITC, Rev.3), published by the United Nations in Statistical Papers, Series M, No. 34/Rev.3 (1986) (the SITC), or any successor groups or subgroups under future revisions to the SITC, as designated by the Association by notice to the Recipient:

<table>
<thead>
<tr>
<th>Group</th>
<th>Sub-group</th>
<th>Description of Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>112</td>
<td></td>
<td>Alcoholic beverages</td>
</tr>
<tr>
<td>121</td>
<td></td>
<td>Tobacco, un-manufactured, tobacco refuse</td>
</tr>
<tr>
<td>122</td>
<td></td>
<td>Tobacco, manufactured (whether or not containing tobacco substitutes)</td>
</tr>
<tr>
<td>525</td>
<td></td>
<td>Radioactive and associated materials</td>
</tr>
<tr>
<td>667</td>
<td></td>
<td>Pearls, precious and semiprecious stones, unworked or worked</td>
</tr>
<tr>
<td>718</td>
<td>718.7</td>
<td>Nuclear reactors, and parts thereof; fuel elements (cartridges), non-irradiated, for nuclear reactors</td>
</tr>
<tr>
<td>728</td>
<td>728.43</td>
<td>Tobacco processing machinery</td>
</tr>
</tbody>
</table>
   | 897   | 897.3    | Jewelry of gold, silver or platinum group metals (except watches and
<table>
<thead>
<tr>
<th>Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>971</td>
<td>Gold, non-monetary (excluding gold ores and concentrates)</td>
</tr>
</tbody>
</table>

- (c) for goods intended for a military or paramilitary purpose or for luxury consumption;
- (d) for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party;
- (e) on account of any payment prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and
- (f) with respect to which the Association determines that corrupt, fraudulent, collusive or coercive practices were engaged in by representatives of the Recipient or other recipient of the Financing proceeds, without the Recipient (or other such recipient) having taken timely and appropriate action satisfactory to the Association to address such practices when they occur.

3. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010 with the modifications set forth in Section II of this Appendix.


6. "Program" means the program of actions, objectives and policies designed to promote growth and achieve sustainable reductions in poverty and set forth or referred to in the letter dated July 13, 2016 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.


11. “Samoa Tourism Authority” means the statutory authority responsible for the development of tourism in the Recipient’s territory, established by the Recipient’s Samoa Tourism Authority Act (1984) and continued by the Recipient’s Tourism Development Act (2012) No. 16.

12. “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.


Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. The last sentence of paragraph (a) of Section 2.03 (relating to Applications for Withdrawal) is deleted in its entirety.

2. Sections 2.04 (Designated Accounts) and 2.05 (Eligible Expenditures) are deleted in their entirety, and the subsequent Sections in Article II are renumbered accordingly.
3. Sections 4.01 (Project Execution Generally) and 4.09 (Financial Management; Financial Statements; Audits) are deleted in their entirety, and the remaining Sections in Article IV are renumbered accordingly.

4. Paragraph (a) of Section 4.05 (renumbered as such pursuant to paragraph 3 above and relating to Use of Goods, Works and Services) is deleted in its entirety.

5. Paragraph (c) of Section 4.06 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.06. Plans; Documents; Records

... (c) The Recipient shall retain all records (contracts, orders, invoices, bills, receipts and other documents) evidencing expenditures under the Financing until two years after the Closing Date. The Recipient shall enable the Association's representatives to examine such records."

6. Paragraph (c) of Section 4.07 (renumbered as such pursuant to paragraph 3 above) is modified to read as follows:

"Section 4.07. Program Monitoring and Evaluation

... (c) The Recipient shall prepare, or cause to be prepared, and furnish to the Association not later than six months after the Closing Date, a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Program, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing."

7. The following terms and definitions set forth in the Appendix are modified or deleted as follows, and the following new terms and definitions are added in alphabetical order to the Appendix as follows, with the terms being renumbered accordingly:

(a) The definition of the term "Eligible Expenditure" is modified to read as follows:

"'Eligible Expenditure' means any use to which the Financing is put in support of the Program, other than to finance expenditures excluded pursuant to the Financing Agreement."

(b) The term "Financial Statements" and its definition as set forth in the Appendix are deleted in their entirety.
The term "Project" is modified to read "Program" and its definition is modified to read as follows:

"Program" means the program referred to in the Financing Agreement in support of which the Financing is made." All references to "Project" throughout these General Conditions are deemed to be references to "Program".