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**GRANT NUMBER E341-MH**

# **Financing Agreement**

**(Enhancing Fiscal Management and Building Disaster and Climate Resilience  
Development Policy Operation)**

**between**

**REPUBLIC OF THE MARSHALL ISLANDS**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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## **FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between REPUBLIC OF THE MARSHALL ISLANDS (“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).

WHEREAS: (A) the Recipient, to enhance its fiscal sustainability and resilience to disasters, has requested the Association, and the Association has agreed, to provide a financing with a catastrophe-deferred drawdown option in an amount equivalent to nine million, two hundred thousand Special Drawing Rights (SDR 9,200,000) (Grant Number E342-MH) to the Recipient for the purpose of providing financing in support of the Program, pursuant to the financing agreement between the Recipient and the Association of or about the same date as this Agreement for the Enhancing Sustainability and Resilience Development Policy Operation with a Catastrophe Deferred Drawdown Option, as such agreement may be amended from time to time; and

(B) The Association has decided to provide this financing on the basis, *inter alia*, of the foregoing and: (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 purposes of the General Conditions, in an amount equivalent to six million, nine hundred thousand Special Drawing Rights (SDR 6,900,000) (“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 January 15 and July 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.

### **ARTICLE IV — REMEDIES OF THE ASSOCIATION**

- 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 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, Banking & Postal Services  
P.O. Box D  
Majuro  
Republic of the Marshall Islands 96960; and
  - (b) the Recipient's Electronic Address is:  
  
Email:  
  
[davidpaul512@gmail.com](mailto:davidpaul512@gmail.com)
- 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	<a href="mailto:cdpngpacific@worldbank.org">cdpngpacific@worldbank.org</a>

AGREED as of the Signature Date.

REPUBLIC OF THE MARSHALL ISLANDS

By



Authorized Representative

Name: David Paul

Title: Minister of Finance

Date: 31-Jul-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Naveed Naqvi

Title: Operations Manager, PNG and Pacific, World Bank

Date: 29-Jul-2024

## 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. To strengthen fiscal oversight, the Recipient has enacted the Public Financial Management Act, 2023, that facilitates implementation of a new electronic public financial management information system, as evidenced by: the Public Financial Management Act, 2023 (P.L.2023-61), certified on April 10, 2023.
2. To strengthen fiscal sustainability by improving the efficiency of public spending, the Recipient has enacted the Procurement Code Act, 2023 that introduces a modernized legal framework to facilitate the adoption of electronic procurement practices and a uniform procurement process across all ministries and donor funds, as evidenced by: the Procurement Code Act, 2023 (P.L.2023-62), certified on April 10, 2023.
3. To improve proactive local-level disaster risk management, the Recipient has enacted the Disaster Risk Management Act, 2023, that: (a) requires local government disaster committees to prepare a local government disaster plan to clarify implementation at the subnational (atoll) level; and (b) recognizes women's involvement as essential in providing effective disaster management, as evidenced by: the Disaster Risk Management Act, 2023 (P.L.2023-91), certified on October 25, 2023.
4. To improve climate change adaptation, the Recipient, through its Cabinet, has adopted the Sea Level Rise Adaptation Policy as the basis for managing the response to sea level rise over the coming decades, including, *inter alia*, requiring long-term planning on coastal protection works, as evidenced by: Cabinet Minute C.M. 098 (2023).
5. To improve the quality, safety and resilience of buildings, the Recipient, through its Cabinet, has submitted to Parliament the National Building Act 2024 Bill that authorizes Cabinet to regulate minimum standards for the design, construction quality, and climate and disaster resilience of all buildings and structures in the Recipient's territory, as evidenced by: (i) Cabinet Minute C.M. 068 (2024); (ii) electronic communication from the Cabinet office to the Clerk of Parliament dated March 19, 2024 submitting the National Building Act 2024 Bill and Cabinet Minute C.M. 068 (2024); and (iii) electronic communication dated April 17, 2024 from the Clerk of Parliament confirming receipt of the National Building Act 2024 Bill as submitted to Parliament.

**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:

<b>Allocations</b>	<b>Amount of the Financing Allocated (Expressed in SDR)</b>
(1) Single Withdrawal Tranche	6,900,000
<b>TOTAL AMOUNT</b>	<b>6,900,000</b>

- C. Withdrawal Tranche Release Conditions.**
  - 1. 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.**
  - 1. The Recipient, within thirty (30) days after the withdrawal of the Financing from the Financing Account, shall report to the Association: (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 Dollar equivalent of the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient’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.** Upon the Association’s request, the Recipient shall:
  - 1. have the account referred to in Section 2.03 (a) of the General Conditions 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 nine (9) 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 account referred to in Section 2.03 (a) of the General Conditions and its audit as the Association shall reasonably request.
- F. Closing Date.** The Closing Date is September 30, 2027.

## APPENDIX

### Definitions

1. “Cabinet” means the Cabinet of Ministers of the Recipient, established and operating in accordance with Article V of the *Constitution of the Republic of the Marshall Islands 1979*.
2. “Cabinet Minute C.M. 068 (2024)” means the Recipient’s Cabinet Minute numbered C.M. 068 (2024) signed by the Recipient’s President on March 18, 2024, that: (a) approves the RMI Building Act 2024 Bill that is attached to the said Cabinet Minute; and (b) authorizes the Minister of Public Works, Infrastructure, and Utilities to introduce the said Bill to the Recipient’s Parliament.
3. “Cabinet Minute C.M. 098 (2023)” means the Recipient’s Cabinet Minute numbered C.M. 098 (2023), signed by the Recipient’s President on June 26, 2023, that adopts the Sea Level Rise Adaptation Policy dated June 22, 2023.
4. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (last revised on July 15, 2023).
5. “Parliament” means the Recipient’s Parliament or *Nitijela*, established and operating in accordance with Article IV of the *Constitution of the Republic of the Marshall Islands 1979*.
6. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated May 10, 2024, 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 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
7. “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.
8. “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.