



GRANT NUMBER E2300-TV

Financing Agreement

(First Climate and Disaster Resilience Development Policy Financing)

between

TUVALU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION



GRANT NUMBER E2300-TV

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).

WHEREAS (A) the Recipient, to enhance its preparedness for 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 three million Special Drawing Rights (SDR 3,000,000) (Grant Number E2310-TV) 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 the same date as this Agreement for the First Climate and Disaster Resilience Development Policy Financing 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.

NOW, THEREFORE, the Recipient and the Association 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 five million six hundred thousand Special Drawing Rights (SDR 5,600,000) (“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 October 15 and April 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 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 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 its minister responsible for finance.

- 6.02. For purposes of Section 11.01 of the General Conditions:

- (a) the Recipient's address is:

Ministry of Finance
Vaiaku
Funafuti
Tuvalu; and

- (b) the Recipient's Electronic Address is:

E-mail:
spaeniu@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 Seve Paeniu

Title: Minister of Finance

Date: 04-Oct-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 27-Sep-2023

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:

Pillar 1: Promote climate and disaster resilient fiscal policy and trade facilitation.

1. To strengthen fiscal resilience to climate risks, the Recipient, through its Cabinet, has endorsed the Ministerial Order on Fiscal Risks Reporting (LN 5 of 2023) issued by the Minister of Finance, mandating the identification, analysis, and publication of fiscal risks in an annual report on its website, as evidenced by the Cabinet Decision (Memo No. 77/23), dated April 26, 2023.
2. To strengthen climate resilience in the public financial management system, the Recipient, through its Cabinet, has approved the implementation of a Climate Budget Tagging methodology, as evidenced by the Cabinet Decision (Memo No. 135/23), dated July 12, 2023.
3. To expedite the flow of critical goods trade during crises and disasters, the Recipient has enacted the Customs Revenue and Border Protection (Amendment) Act 2023 which supports expedited clearance of imported goods, including priority medical and food products and emergency goods, in line with international trade facilitation standards and regional agreements, as evidenced by the said Act signed by the Acting Clerk to Parliament, the Attorney General and the Acting Secretary to Government, and assented to by the Acting Governor General on August 1, 2023.

Pillar 2: Improve the institutional and regulatory framework for climate and disaster resilient infrastructure.

4. To strengthen the institutional arrangements for emergency preparedness and response, the Recipient has approved through its Cabinet and submitted to Parliament, the National Disaster Management (Amendment) Bill 2023, which, *inter alia*, clarifies the mandate of the National Disaster Management Office to act as the national coordinating and monitoring entity for disaster risk management, as evidenced by: (i) the Cabinet Decision (Memo No. 132/23), dated July 5, 2023; and (ii) the letter from the office of the Attorney General, dated July 7, 2023, transmitting to Parliament the National Disaster Management (Amendment) Bill, 2023, including acknowledgement of receipt by the speaker of Parliament.

5. To strengthen the institutional arrangements for emergency preparedness and response, the Recipient has approved through its Cabinet and submitted to Parliament, the National Disaster Management (Amendment) Bill 2023, which, *inter alia*, creates a new seat in the Island Disaster Committees for an Island Women’s Group representative to secure gender representation in decision-making on issues related to climate and disaster risks, as evidenced by: (i) the Cabinet Decision (Memo No. 132/23), dated July 5, 2023; and (ii) the letter from the office of the Attorney General, dated July 7, 2023, transmitting to Parliament the National Disaster Management (Amendment) Bill, 2023, including acknowledgement of receipt by the speaker of Parliament.
6. To improve the structural resilience of buildings to disasters, the Recipient, through its Cabinet, has approved the establishment of a National Building Code Assessment Unit within the Ministry of Public Works, Infrastructure, Environment, Labor, Meteorology, and Disaster that is mandated to enforce building regulations and the building code to all public buildings, as evidenced by Cabinet Decision (Memo 133/23), dated July 5, 2023.

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 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:

Allocations	Amount of the Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	5,600,000
TOTAL AMOUNT	5,600,0000

- 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. Notwithstanding the provisions of Section 2.03 of the General Conditions:
 - (a) the Recipient shall open, prior to furnishing to the Association the first request for withdrawal from the Financing Account, and thereafter maintain on terms and conditions satisfactory to the Association a dedicated account in Australian Dollar (“Local Currency Dedicated Account”); and
 - (b) all withdrawals from the Financing Account shall be deposited by the Association into the Local Currency Dedicated Account. Upon each deposit of an amount of the Financing into the Local Currency Dedicated Account, the Recipient shall ensure that an equivalent is accounted for in the Recipient’s budget management system, in a manner acceptable to the Association.
2. 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 Local Currency Dedicated Account; (b) the details of the account to which the Australian 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 Local Currency Dedicated Account.

E. Audit. Upon the Association’s request, 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 date of the Association’s request for such audit, 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 their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is October 30, 2026.

APPENDIX

Definitions

1. “Australian Dollar” means the official currency of Australia.”
2. "Cabinet” means the Recipient’s Cabinet established under Section 73 of the Constitution.
3. “Climate Budget Tagging” means a government-led process of identification, measurement, and monitoring of climate-relevant public expenditures.
4. “Constitution” means the Constitution of Tuvalu, 2008 Revised Edition (CAP. 1.02).
5. “Customs Revenue and Border Protection Act 2014” means the Recipient’s Act to reform and modernize the law relating to customs controls and enforcement, and to provide for revenue administration, border management, trade and travel facilitation, security, and related purposes (Act No. 15 of 2014), as the same may be amended from time to time.,
6. “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).
7. “Island Disaster Committees” means the Recipient’s Island disaster committees, established and operating pursuant to section 16 of the National Disaster Management Act 2007, 2008 Revised Edition (Cap. 20.38).
8. “Island Women’s Group” means the Recipient’s Island women’s group that is represented at the Island Disaster Committees.
9. “Local Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
10. “Ministry of Public Works, Infrastructure, Environment, Labor, Meteorology, and Disaster” means the Recipient’s ministry responsible to public works, infrastructure, environment, labor, meteorology, and disaster, or its legal successor.
11. “National Disaster Management Office” means the Recipient’s national disaster management office, established and operating pursuant to section 11 of the National Disaster Management Act 2007, 2008 Revised Edition (Cap. 20.38).

12. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated August 11, 2023 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.
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.