
**GRANT NUMBER E029-SB
CREDIT NUMBER 7127-SB**

Financing Agreement

**(Second Solomon Islands Transition to Sustainable Growth Development Policy
Financing: Supplemental Financing)**

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

**GRANT NUMBER E029-SB
CREDIT NUMBER 7127-SB**

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between SOLOMON ISLANDS (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”) for the purpose of providing supplemental financing in support of the Program (as defined in the Appendix to this Agreement).

WHEREAS

- (A) under the agreement dated December 7, 2021, between the Recipient and the Association (“Original Financing Agreement”), the Association agreed to extend to the Recipient a grant in the amount equivalent to ten million seven hundred thousand Special Drawing Rights (SDR 10,700,000) for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement);
- (B) the Recipient has requested the Association to provide supplemental financing to help respond to a financing gap resulting from a period of civil unrests and a subsequent COVID-19 outbreak; and
- (C) the Association has decided to provide the supplemental grant and credit 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 the Original Financing Agreement; (ii) the Program is being carried out by the Recipient in compliance with the provisions of the Original Financing Agreement; and (iii) 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 and a credit, which are deemed as Concessional Financing for the purposes of the General Conditions (collectively, “Financing”), in the following amounts:
- (a) an amount equivalent to eight million three hundred and nineteen thousand Special Drawing Rights (SDR 8,319,000) (“Grant”); and
 - (b) an amount equivalent to two million five hundred and thirty-two thousand Special Drawing Rights (SDR 2,532,000) (“Credit”).
- 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 Service Charge is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance.
- 2.04. The Payment Dates are June 1 and December 1 in each year.
- 2.05. The Payment Currency is Dollar.
- 2.06. 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 the Original Financing Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of, namely, that a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.
- 4.02. The Additional Event of Acceleration consists of, namely, that an event specified in Section 4.01 of this Agreement occurs and is continuing for a period of 60 days after notice of the event has been given by the Association to the Recipient.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition 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 Treasury
P.O. Box 26
Honiara, Solomon Islands; and

(b) the Recipient's Electronic Address is:

Facsimile:

E-mail:

677-27855

hkuma@mof.gov.sb

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:

Facsimile:

E-mail:

1-202-477-6391

cdpngpacific@worldbank.org

AGREED as of the Signature Date.

SOLOMON ISLANDS

By



Authorized Representative

Name: Harry Kuma

Title: Minister of Finance and Treasury

Date: 19-Jun-2022

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 15-Jun-2022

SCHEDULE 1

Program Actions; Availability of Financing Proceeds

Section I. Actions under the Program

Actions Taken Under the Program. The actions taken by the Recipient under the Program and prior to the Original Financing Agreement are set forth in Section I of the Schedule 1 to the Original Financing Agreement.

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:

Allocations	Amount of the Grant Allocated (Expressed in SDR)	Amount of the Credit Allocated (Expressed in SDR)
Single Withdrawal Tranche	8,319,000	2,532,000
TOTAL AMOUNT	8,319,000	2,532,000

- 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**
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 Dollars ("Foreign Currency Dedicated Account"); which forms part of the Recipient's foreign exchange reserves; and
 - (b) all withdrawals from the Financing Account shall be deposited by the Association into the Foreign Currency Dedicated Account. Upon each

deposit of an amount of the Financing into the Foreign Currency Dedicated Account, the Recipient shall ensure that an equivalent amount in Solomon Island Dollar 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 Foreign Currency Dedicated Account; (b) the details of the account to which the Solomon Islands 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 Foreign Currency Dedicated Account.

E. Audit. Upon the Association's request, the Recipient shall:

1. have the Foreign 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 Foreign Currency Dedicated Account and its audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is March 31, 2023.

SCHEDULE 2

Repayment Schedule

Date Payment Due	Principal Amount of the Credit repayable (Expressed as a percentage) *
On each June 1 and December 1:	
commencing December 1, 2032, to and including June 1, 2042	1%
commencing December 1, 2042, to and including June 1, 2062	2%

* 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 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. “COVID-19” means the coronavirus disease caused by the 2019 novel coronavirus (SARS-CoV-2).
2. “Foreign Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule 1 to this Agreement.
3. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
4. “Original Financing Agreement” means the Agreement signed on December 7, 2021, between the Recipient and the Association, Grant number D916-SB.
5. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated October 19, 2021, 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 the Original Financing Agreement, and actions to be taken consistent with the program’s objectives.
6. “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.
7. “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.
8. “Solomon Islands Dollar” means the official currency of the Recipient.