
GRANT NUMBER D738-KI

Financing Agreement

(Kiribati Second Inclusive and Resilient Growth Development Policy Financing)

between

REPUBLIC OF KIRIBATI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D738-KI

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF KIRIBATI (“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 purposes of the General Conditions, in an amount equivalent to three million six hundred thousand Special Drawing Rights (SDR 3,600,000) (“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 June 15 and December 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 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 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 Economic Development
P.O. Box 67
Bairiki,
Tarawa
Republic of Kiribati;

and

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

E-mail: hon.vicepresident@mfep.gov.ki

- 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: cdpngpacific@worldbank.org
1-202-477-6391

AGREED as of the Signature Date.

REPUBLIC OF KIRIBATI

By

Teuea Toatu

Authorized Representative

Name: Teuea Toatu

Title: Vice President & Minister of Finance

Date: 06-Dec-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 21-Nov-2021

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 include the following:

1. The Recipient, through its Cabinet, has adopted and published a rule-based withdrawal policy designed to preserve the capital value of the Revenue Equalization Reserve Fund (“RERF”) and take into account inflation and population growth, to ensure the long-run sustainability of the RERF and protect intergenerational equity, as evidenced by the RERF Withdrawal Policy, the extract of Cabinet minute No53/19 dated September 30, 2019 of the Cabinet meeting held September 18, 2019 as signed by the Recipient’s secretary to the Cabinet, and the Recipient’s online publication of the RERF Withdrawal Policy dated September 2, 2020 on the Ministry of Finance and Economic Development’s website accessed October 1, 2020.
2. The Recipient has: (i) enacted the *Public Procurement Act 2019*; and (ii) through its Ministry of Finance and Economic Development, promulgated the *Public Procurement Regulations 2020*, in order to increase transparency and value for money in public procurement, as evidenced by the *Public Procurement Act 2019* and the *Public Procurement Regulations 2020*.
3. The Recipient, through its Ministry of Finance and Economic Development, has included a public debt annex in the 2020 National Budget that includes: (i) all loan balances and annual service costs for 2019 (actuals); and (ii) the total debt stock and debt service profile for 2016-2028, and has published the budget on its website, as evidenced by the 2020 National Budget, the Recipient’s online publication of the 2020 National Budget on the Ministry of Finance and Economic Development’s website, accessed October 1, 2020.
4. The Recipient, through its Cabinet, has promulgated Regulations for the Conservation and Management of Coastal Marine Resources 2019, to promote inclusive, resilient livelihoods and to safeguard food security in the face of climate change, as evidenced by the *Regulations for the Conservation and Management of Coastal Marine Resources 2019*.
5. The Recipient, through its Cabinet, has approved a tariff and community service obligation framework for the roll-out of climate-resilient piped water and sanitation services across all of South Tarawa, based on the results in pilot

areas, as evidenced by the letter from the Deputy Secretary of the Ministry of Finance and Economic Development to the Association dated September 4, 2020.

6. The Recipient, through its Ministry of Education, has promulgated the *Registration and Administration of Service Providers and Premises Regulations 2020* to boost quality and access to early education and facilitate women's labor force participation, as evidenced by the *Registration and Administration of Service Providers, Teachers and Premises Regulations 2020*.

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 Financing Allocated (expressed in SDR)
(1) Single Withdrawal Tranche	3,600,000
TOTAL AMOUNT	3,600,000

- 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 a deposit account in Australian Dollars (“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 amount is accounted for in the Recipient’s budget management system, in a manner and substance 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. 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 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 Local Currency Dedicated Account and their audit as the Association shall reasonably request.

F. Closing Date. The Closing Date is February 28, 2022.

APPENDIX

Definitions

1. “2020 National Budget” means the Recipient’s ‘Kiribati Government 2020 Recurrent Budget’ document prepared by the Ministry of Finance and Economic Development, as approved September 3, 2020 and published on the Ministry of Finance and Economic Development’s website <http://www.mfed.gov.ki/sites/default/files/FINAL%20BOOK%20AS%20APPROVED_V2.pdf> accessed October 1, 2020.
2. “Australian Dollars” means the lawful currency of the Recipient.
3. “Cabinet” means the Cabinet of Ministers of the Recipient, established in accordance with Chapter IV, Part III of the *Constitution of Kiribati 1979*.
4. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020).
5. “Local Currency Dedicated Account” means the account referred to in Part D.1(a) of Section II of Schedule.
6. “Ministry of Education” means the Recipient’s Ministry responsible for education, or any successor thereto.
7. “Ministry of Finance and Economic Development” means the Recipient’s Ministry responsible for finance and economic development, or any successor thereto.
8. “Office of Te Beretitenti” means the Recipient’s Office of the President.
9. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated October 14, 2020 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.

10. “Public Procurement Act 2019” means the Recipient’s Public Procurement Act 2019, as assented to by the President on May 14, 2020.
11. “Public Procurement Regulations 2020” means the Recipient’s Public Procurement Regulations for the Republic of Kiribati, [commencement date May 12, 2020 as signed by the Vice President and Minister for Finance and Economic Development on May 12, 2020].
12. “Registration and Administration of Service Providers and Premises Regulations 2020” means *the Recipient’s Registration and Administration of Service Providers and Premises Regulations 2020* dated September 02, 2020 and exhibited at the Office of Te Berentitenti on September 02, 2020.
13. “Regulations for the Conservation and Management of Coastal Marine Resources” means the Recipient’s *Fisheries (Conservation and Management of Coastal Marine Resources) Regulations 2019*, dated October 10, 2019, and published at the Office of Te Berentitenti on October 10, 2019.
14. “RERF Withdrawal Policy” means the Recipient’s withdrawal policy to govern the withdrawals from the RERF, dated August 2020, published on the Ministry of Finance and Economic Development’s webpage: <http://www.mfed.gov.ki/publications/rerf-withdrawal-policy-august-2020> accessed October 1, 2020.
15. “Revenue Equalization Reserve Fund” and “RERF” means the Recipient’s fund established pursuant to the Public Finance (Control and Audit) Ordinance 1977 for the purpose of storing wealth from phosphate mining activities.
16. “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.
17. “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.