
GRANT NUMBER D916-SB

Financing Agreement

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

between

SOLOMON ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

GRANT NUMBER D916-SB

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between SOLOMON 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). 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 the purposes of the General Conditions, in an amount equivalent to ten million seven hundred thousand Special Drawing Rights (SDR10,700,000) (“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 1 and December 1 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.
- 4.02. The 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	mdentana@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: 07-Dec-2021

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Stephen Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 06-Dec-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 approved and published on the government website, the Medium-Term Debt Management Strategy (MTDMS) 2021-2024 in order to improve debt management, as evidenced by: (a) the adopted MTDMS; (b) publication of the MTDMS on the website at: https://solomons.gov.sb/wp-content/uploads/2021/07/20210719_SIG-MTDS-2021-2024-Final_Clean-Version..pdf; and (c) the letter from the Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.
2. The Recipient, through its Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, has issued Public Financial Management (Procurement) Regulations 2021 under the Public Financial Management Act, to improve transparency, integrity, and efficiency in public spending, as evidenced by: (a) the Public Financial Management (Procurement) Regulations 2021; (b) the Recipient's Legal Notice No 273, supplement to the Recipient's Gazette No 244 dated October 14, 2021; and (c) the letter from the Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.
3. The Recipient, through its Minister of Finance and Treasury, has approved and operationalized the Large Taxpayer Office, as an integral component of the restructure of the Inland Revenue Division, in order to improve tax revenue collection, as evidenced by: (a) the restructure proposal which includes the establishment of the Large Taxpayer Office; and (b) the letter from the Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.
4. In order to operationalize the Solomon Islands Independent Commission Against Corruption (SIICAC), the Recipient has: (i) appointed a director general for the SIICAC; (ii) issued the SIICAC Remuneration and Other Conditions Regulations 2020, to define the remuneration entitlements for the SIICAC; and (iii) established a separate budget allocation for the SIICAC in the 2021 budget, as evidenced by: (a) SIICAC Remuneration and Other Conditions Regulations; (b) the Recipient's Legal Notice No 171, supplement to the Recipient's Gazette No 162

dated October 27, 2020; (c) Recipient's approved recurrent estimates of 2021 budget, Budget Paper volume 2, dated April 28, 2021; and (d) the letter from the Prime Minister acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.

5. The Recipient, through its Minister of Finance and Treasury, has approved the use of the Automated Transfer System for government payments and receipts, to promote fast and secure electronic transactions with the private sector, including for customs and tax, as evidenced by the letter from the Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.
6. The Recipient, through its Cabinet, has approved the Recipient's Updated Nationally Determined Contribution, to strengthen the ambition of climate change mitigation and adaptation actions, as evidenced by: (a) the Updated Nationally Determined Contribution; (b) publication of the Updated Nationally Determined Contribution on the website at [https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Solomon%20Islands%20First/NDC%20Report%202021%20Final%20Solomon%20Islands%20\(1\).pdf](https://www4.unfccc.int/sites/ndcstaging/PublishedDocuments/Solomon%20Islands%20First/NDC%20Report%202021%20Final%20Solomon%20Islands%20(1).pdf); and (c) the letter from the Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.
7. The Recipient, through its Minister of Finance and Treasury, has approved the introduction of an environmental levy on single-use plastics and other plastics with toxic components in order to reduce plastic pollution, as evidenced by the letter from the Prime Minister, acting in his capacity as the Acting Minister of Finance and Treasury, to the Association, dated October 19, 2021.

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)
Single Withdrawal Tranche	10,700,000
TOTAL AMOUNT	10,700,000

- 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 Islands 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.

APPENDIX

Definitions

1. “Anti-corruption Act 2018” means the Recipient’s Anti-corruption Act 2018 (No.2 of 2018).
2. “Automated Transfer System” means the Recipient’s automated clearing house and real time gross settlement system.
3. “Cabinet” means the Recipient’s Cabinet of Ministers, established by Article 35 of the *Constitution of Solomon Islands, 1978*.
4. “Debt Management Regulations” means the Recipient’s *Public Financial Management (Debt Management) Regulations 2018* published in the Recipient’s Gazette, Legal Notice No.77, dated December 22, 2018.
5. “Foreign Currency Dedicated Account” has the meaning given in Part D.1(a) of Section II of Schedule 1 to this Agreement.
6. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020 and April 1, 2021).
7. “Inland Revenue Division” means the inland revenue division, or any successor thereto, in the Ministry of Finance and Treasury.
8. “Large Taxpayer Office” means the Recipient’s large taxpayer office established within the Ministry of Finance and Treasury to be responsible for overseeing the tax obligations of large taxpayers.
9. “Medium-Term Debt Management Strategy 2021-2024” or “MTDMS” means the Recipient’s medium-term debt management strategy approved by the Cabinet on July 22, 2021, in accordance with the Debt Management Regulations.
10. “Minister of Finance and Treasury” means the Recipient’s Minister at the time responsible for finance.
11. “Ministry of Finance and Treasury” means the Recipient’s Ministry of Finance and Treasury or any successor thereto.

12. “Prime Minister” means the Recipient’s Prime Minister at the time of this Financing.
13. “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 this Agreement, and actions to be taken consistent with the program’s objectives.
14. “Public Financial Management Act” means the Recipient’s *Public Financial Management Act 2013* (No. 9 of 2013).
15. “Public Financial Management (Procurement) Regulations 2021” means the Recipient’s Public Financial Management (Procurement) Regulations 2021, approved by Minister of Finance and Treasury on October 14, 2021.
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.
18. “Solomon Islands Dollar” means the official currency of the Recipient.
19. “Solomon Islands Independent Commission Against Corruption” has the meaning given to “Commission” under section 3 of the Anti-Corruption Act 2018.
20. “Solomon Islands Independent Commission Against Corruption (Remuneration and Other Conditions) Regulations 2020” means the regulations issued by the Recipient’s Prime Minister on October 27, 2020, under section 15 of the Anti-Corruption Act 2018.
21. “Updated Nationally Determined Contribution” is the Recipient’s updated nationally determined contribution, approved by its Cabinet on May 17, 2021.