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**CREDIT NUMBER 6501-FJ (CONCESSIONAL CREDIT)  
CREDIT NUMBER 6500-FJ (NON-CONCESSIONAL CREDIT)**

# **Financing Agreement**

**(Second Fiscal Sustainability and Climate Resilience Development Policy Financing)**

**between**

**REPUBLIC OF FIJI**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**CREDIT NUMBER 6501-FJ (CONCESSIONAL CREDIT)  
CREDIT NUMBER 6500-FJ (NON-CONCESSIONAL CREDIT)**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between THE REPUBLIC OF FIJI (“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 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; and

(B) the Recipient has also requested the International Bank for Reconstruction and Development to provide additional assistance towards the financing of the Program, and the International Bank for Reconstruction and Development has agreed to make available to the Recipient a loan in an amount of six million Dollars (US\$6,000,000) to assist in financing the Program, pursuant to the loan agreement to be entered into between the Recipient and the International Bank for Reconstruction and Development (“Loan Agreement”).

**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) a credit, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty-one million fifty thousand Special Drawing Rights (SDR21,050,000) (variously, “Credit” and “Financing”); and

- (b) a credit, which is deemed as Non-concessional Financing for purposes of the General Conditions, in the amount of twenty nine million Dollars (\$29,000,000), as such amount may be converted from time to time through a Currency Conversion (“Non-Concessional Credit”), (the Concessional Credit and the Non-Concessional Credit jointly referred to, variously, as “Credit” or “Financing”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Payment Dates are May15 and November 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, or of the below Articles III and IV as the Association may, from time to time, reasonably request.

### **ARTICLE III —CONCESSIONAL CREDIT TERMS**

- 3.01. The Maximum Commitment Charge Rate for the Concessional Credit is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Credit Balance of the Concessional Credit.
- 3.02. The Service Charge of the Concessional Credit is three-fourths of one percent (3/4 of 1%) per annum on the Withdrawn Credit Balance of the Concessional Credit.
- 3.03. The principal amount of the Concessional Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

### **ARTICLE IV --- NON-CONCESSIONAL CREDIT TERMS**

- 4.01. The Front-end Fee for the Non-Concessional Credit is one quarter of one percent (1/4 of 1%) of the Non-Concessional Credit amount.
- 4.02. The Commitment Charge for the Non-Concessional Credit is one-quarter of one percent (1/4 of 1%) per annum on the Unwithdrawn Credit Balance of the Non-Concessional Credit.

- 4.03. The Interest Charge for the Non-Concessional Credit is the Reference Rate plus the Fixed Spread or such rate as may apply following a Conversion; subject to Section 3.09(e) of the General Conditions.
- 4.04. The principal amount of the Non-Concessional Credit shall be repaid in accordance with Schedule 4 to this Agreement.

#### **ARTICLE V — PROGRAM**

- 5.01. 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 VI — REMEDIES OF THE ASSOCIATION**

- 6.01. 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 VII — EFFECTIVENESS; TERMINATION**

- 7.01. The Additional Conditions of Effectiveness consist of the following:
- (a) 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; and

- (b) the Loan Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

- 7.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 7.03. 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 VIII — REPRESENTATIVE; ADDRESSES**

- 8.01. The Recipient's Representative is its Minister at the time responsible for finance.
- 8.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient's address is:

Ministry of Economy  
Ro Lalabalavu House  
370 Victoria Parade  
Suva, Fiji; and

(b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
679-330-0834	makereta.konrote@economy.gov.fj

- 8.03. 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.

REPUBLIC OF FIJI

By

  
\_\_\_\_\_  
Authorized Representative


Name: AIYAZ SAYED-KHAIYUM

Title: Attorney-General and Minister for Economy, Civil Service

Date: 23-Jan-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

  
\_\_\_\_\_  
Authorized Representative

Name: Michel Kerf

Title: Country Director, PNG & Pacific Islands

Date: 11-Dec-2019

## 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 a Medium-Term Fiscal Strategy that strengthens fiscal discipline and initiates fiscal consolidation through expenditure-side measures, consistent with debt sustainability, as evidenced by: (a) the Medium-Term Fiscal Strategy; and (b) the letter from the Minister for Economy to the International bank for Reconstruction and Development dated September 19, 2019 confirming Cabinet approval of the Medium-Term Fiscal Strategy.
2. The Recipient, through its Cabinet, has approved the Government Guarantee Policy for granting guarantees to government entities, as evidenced by the Government Guarantee Policy, and the letter from the Minister for Economy to the International Bank for Reconstruction and Development dated September 19, 2019 confirming Cabinet approval of the Government Guarantee Policy.
3. The Recipient, through its Cabinet, has approved the Draft Fiji Direct Investment Bill and an Investment Policy Statement that provide a simple, transparent process for entry of foreign investment and establish investor protections, as evidenced by the letter from the Minister for Industry, Trade and Tourism to the International Bank for Reconstruction and Development dated September 11, 2019 confirming that the Cabinet approved the Investment Policy Statement and Draft Fiji Direct Investment Bill.
4. The Recipient, through its Cabinet, has adopted a strategy for improving the business environment and through its Ease of Doing Business taskforce started its implementation including establishment of online company registration, as evidenced by: (a) the Recipient's Doing Business Reform Memorandum; (b) the letter from the Minister for Industry, Trade and Tourism to the International Bank for Reconstruction and Development dated September 11, 2019 confirming Cabinet approval of the strategy "Doing Business Reform Memorandum"; and (c) the Recipient's live online Registrar of Companies.
5. The Recipient, through its Ministry of Economy, has established the regulatory framework and institutions necessary to allow moveable property to be used more securely as collateral for credit purposes by: (a) the commencement of the Personal

Property Securities Act 2017, as evidenced by the Recipient's Legal Notice 25 of 2019 'Personal Property Securities Act 2017 Commencement Notice, 2019'; (b) the publication and commencement of the Personal Property Securities Regulations 2019, as evidenced by the Extraordinary Government of Fiji Gazette Supplement No. 12, Legal Notice No. 24, dated April 30, 2019; and (c) the appointment of the Reserve Bank of Fiji as the Registrar and administrator of the Personal Property Securities Registry, as evidenced by Section 3 of the Personal Property Securities Regulations 2019.

6. The Recipient, through its Cabinet, has approved Resilient Building Guidelines that: (a) strengthen new single-story schools and residential housing on native lands against climate-related risks and earthquakes aligned with the National Building Code - Fiji requirements; and (b) form contents of training for building practitioners in rural areas, as evidenced by the letter from Minister for Industry, Trade and Tourism to the International Bank for Reconstruction and Development dated September 11, 2019 confirming that the Cabinet approved the Resilient Building Guidelines and attaching a copy of the approved Resilient Building Guidelines.
7. The Recipient, through its Cabinet, has approved the Climate Change Policy 2018-2030 to scale-up the Recipient's activities for enhancing resilience of key vulnerable sectors as evidenced by the letter from the Minister for Economy to the International Bank for Reconstruction and Development dated September 19, 2019 confirming Cabinet approval of the Climate Change Policy 2018-2030.
8. **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 Concessional Credit Allocated (expressed in SDR)</b>	<b>Amount of the Non-Concessional Credit Allocated (expressed in Dollar)</b>
(1) Single Withdrawal Tranche	21,050,000	28,927,500
(2) Front end Fee for the Non-Concessional Credit	0	72,500
<b>TOTAL AMOUNT</b>	<b>21,050,000</b>	<b>29,000,000</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 Recipient's account to which the Financing proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Recipient's budget management system; 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 their audit as the Association shall reasonably request.
- F. Closing Date.** The Closing Date is November 07, 2020.

**SCHEDULE 3**

**Repayment Schedule of the Concessional Credit**

<b>Date Payment Due</b>	<b>Principal Amount of the Concessional Credit repayable (expressed as a percentage) *</b>
On each May 15 and November 15	
commencing November 15, 2029 to and including May 15, 2039	<b>1%</b>
commencing November 15, 2039 to and including May 15, 2059	<b>2%</b>

\* The percentages represent the percentage of the principal amount of the Concessional Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

#### **SCHEDULE 4**

##### **Repayment Schedule of the Non-Concessional Credit**

##### **Commitment-Linked Amortization Repayment Schedule**

The following table sets forth the Principal Payment Dates of the Non-Concessional Credit and the percentage of the total principal amount of the Non-Concessional Credit payable on each Principal Payment Date (“Installment Share”).

##### **Level Principal Repayments**

<b>Principal Payment Date</b>	<b>Installment Share</b>
On each May 15 and November 15. Beginning November 15, 2029 through May 15, 2049	2.5%

## APPENDIX

### Definitions

1. “Climate Change Policy 2018-2030” means the Recipient’s policy titled “Republic of Fiji: National Climate Change Policy 2018-2030” available online at <<http://www.economy.gov.fj/images/Resources/CCIC/National-Climate-Change-Policy-2018---2030.pdf>>.
2. “Doing Business Reform Memorandum” means the Recipient’s Doing Business Reform Memorandum: Fiji, dated December 2018, approved by Cabinet April 16, 2019.
3. “Draft Fiji Direct Investment Bill” means the Recipient’s ‘Draft Fiji Direct Investment Bill 2019’, dated July 30, 2019.
4. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Development Policy Financing”, dated December 14, 2018.
5. “Government Guarantee Policy” means the Ministry of Economy’s policy titled ‘Government Guarantee Policy’ dated March 2019.
6. “Investment Policy Statement” means the Recipient’s document titled ‘Fiji Investment Policy Statement’, dated February 19, 2018.
7. “Loan Agreement” means the loan agreement for the Program between the Recipient and the International Bank for Reconstruction and Development, dated the same date as this Agreement, as such loan agreement may be amended from time to time. “Loan Agreement” includes all appendices, schedules and agreements supplemental to the Loan Agreement.
8. “Medium-Term Fiscal Strategy” means the Recipient’s strategy outlined in paragraphs 3.11 to 3.15 of the Recipient’s Republic of Fiji Economic and Fiscal Update Supplement to the 2019 -2020 Budget Address, Ministry of Economy 7 June 2019, available at <<http://www.economy.gov.fj/images/Budget/budgetdocuments/supplements/BU DGET-SUPPLEMENT.pdf>>

9. “Ministry of Economy” means the Recipient’s Ministry of Economy, or any successor thereto.
10. “Ministry of Industry, Trade and Tourism” means the Recipient’s Ministry of Industry, Trade and Tourism, or any successor thereto.
11. “National Building Code - Fiji” means the Recipient’s National Building Code as set forth in the Schedule to the Public Health (National Building Code) Regulations 2004.
12. “Parliament” means the Recipient’s Parliament which exercises legislative authority pursuant to Chapter 3 of the Constitution of the Republic of Fiji.
13. “Personal Property Securities Act 2017” means the Recipient’s Personal Property Securities Act 2017, Act No. 45 of 2017.
14. “Personal Property Securities Registry” means the Recipient’s electronic registry established in accordance with section 69 of the Personal Property Securities Act.
15. “Personal Property Securities Regulations 2019” means the Recipient’s Personal Property Securities Regulations 2019.
16. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated September 19, 2019 from the Recipient to the International Bank for Reconstruction and Development 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.
17. “Registrar of Companies” means the Recipient’s live online registrar of companies available at <<https://mobile.digital.gov.fj/Eservices/Index>>.
18. “Reserve Bank of Fiji” means the Recipient’s central bank established by and operating pursuant to the Recipient’s Reserve Bank of Fiji Act No. 14 of 1983.
19. “Resilient Building Guidelines” means the Recipient’s ‘Guidelines for Improving Building Safety and Resilience of New Single Storey Houses and Schools in Rural Areas of Fiji’ dated August 2019.

20. “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.
21. “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.