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**GRANT NUMBER D917-TV**

# **Financing Agreement**

**(Tuvalu Second Resilience Development Policy Financing)**

**between**

**TUVALU**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**GRANT NUMBER D917-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 seven million one hundred thousand Special Drawing Rights (SDR 7,100,000) (IDA Grant Number D918-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 Tuvalu Second 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; upon the terms and conditions set forth in this Agreement.

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 four hundred thousand Special Drawing Rights (SDR 5,400,000) (“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 January 15 and July 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  
Vaiaku  
Funafuti  
Tuvalu; and

(b) the Recipient's Electronic Address is:

E-mail:  
[sevepaeniu@gmail.com](mailto:sevepaeniu@gmail.com)

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	<a href="mailto:cdpngpacific@worldbank.org">cdpngpacific@worldbank.org</a>

AGREED as of the Signature Date.

TUVALU

By

*Seve Paeniu*

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

Seve Paeniu

Name: \_\_\_\_\_

Hon Mr

Title: \_\_\_\_\_

16-Dec-2021

Date: \_\_\_\_\_

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

*[Signature]*

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

Stephen Ndegwa

Name: \_\_\_\_\_

Country Director, PNG & Pacific Islands

Title: \_\_\_\_\_

16-Dec-2021

Date: \_\_\_\_\_

## **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:

1. To increase the efficiency and equity of public health care spending, the Recipient, through its Cabinet, has endorsed the Tuvalu Overseas Medical Referral Scheme (TOMRS) Policy, as evidenced by: (i) the Tuvalu Overseas Medical Referral Scheme (TOMRS) Policy; and (ii) the letter from the Deputy-Secretary to Cabinet, Office of the Prime Minister to the Acting Secretary for Finance, dated October 12, 2021, titled “Cabinet Decision – M227/21 – Tuvalu Overseas Medical Referral Scheme Policy (TOMRS 2021)”.
2. To strengthen procurement, the Recipient, through its Minister of Finance, has: (a) issued the Public Procurement (Amendment) Regulations 2021 (“Regulations”); and (b) issued updated Standard Bidding Documents which reflect the Regulations, as evidenced by: (i) the Public Procurement (Amendment) Regulations 2021; (ii) the letter from the Deputy-Secretary to Cabinet, Office of the Prime Minister to the Acting Secretary for Finance, dated September 30, 2021, titled “Cabinet Decision – M95/21 – Public Procurement Amendment Regulations 2021”; (iii) the Standard Bidding Documents; and (iv) the letter from the Minister of Finance to the Association, dated October 20, 2021, titled “Tuvalu Public Procurement Standing Bidding Documents (amendment)”.
3. To strengthen the institutional roles and responsibilities for emergency preparedness and response, the Recipient, through the Chairman of its National Disaster Committee, has updated the Cyclone & Strong Winds Standard Operating Procedure, as evidenced by: (i) the Cyclone & Strong Winds Standard Operating Procedure; (ii) the letter from the Deputy Secretary, Ministry of Public Works, Infrastructure, Environment, Labour, Meteorology and Disaster to the Chairman of the National Disaster Committee, dated July 28, 2021, titled “Updated Standard Operating Procedures for Cyclone (Cyclone SOP)”;
- and (iii) the letter from the Chairman of the National Disaster Committee to the Association, dated October 25, 2021, titled “Confirmation of Update of Cyclone & Strong Winds Standard Operating Procedure”, and attaching the Cyclone & Strong Winds Standard Operating Procedure.
4. To improve household-level recovery from natural disasters, the Recipient has enacted the National Disaster Management (Amendment) Act 2021, as evidenced by National Disaster Management (Amendment) Act 2021.

5. To improve the quality and resilience of buildings, the Recipient, through its Cabinet, has endorsed Phase 1 of the National Building Code, as evidenced by: (a) Phase 1 of the National Building Code; and (b) the letter from the Deputy-Secretary to Cabinet, Office of the Prime Minister to the Acting Secretary for Finance, dated September 30, 2021, titled “Cabinet Decision – M230/21 – National Building Code & Its Regulatory Framework”.
6. To improve access and quality of education for children with disabilities, the Recipient, through its Cabinet, has approved the Disability-Inclusive Education Policy and Action Plan, as evidenced by: (i) the Disability-Inclusive Education Policy and Action Plan; and (ii) the letter from the Deputy-Secretary to Cabinet, Office of the Prime Minister to the Acting Secretary for Finance, dated October 20, 2021, titled “Cabinet Decision – M135/21 – Tuvalu Disability-Inclusive Education Policy & Teaching Guide”.

**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 Financing Allocated (expressed in SDR)</b>
(1) Single Withdrawal Tranche	5,400,000
<b>TOTAL AMOUNT</b>	<b>5,400,000</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. 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”) 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 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 system; 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 its audit as the Association shall reasonably request.

**F. Closing Date.** The Closing Date is December 8, 2024.

## APPENDIX

### Definitions

1. “Acting Governor-General” has the meaning given in the Recipient’s Constitution.
2. “Australian Dollar” means the official currency of Australia.
3. “Cabinet” means the Recipient’s Cabinet established under Section 73 of the Constitution.
4. “Chairman of the National Disaster Committee” or “Chairman” has the meaning given in the National Disaster Management Act 2007.
5. “Constitution” means the Constitution of Tuvalu, 2008 Revised Edition (CAP. 1.02).
6. “Cyclone & Strong Winds Standard Operating Procedure” means the updated Cyclone and Strong Winds Standard Operating Procedure submitted by the Deputy Secretary, Ministry of Public Works, Infrastructure, Environment, Labour, Meteorology and Disaster for the Chairman’s approval on July 28, 2021, and signed and approved by the Chairman on July 28, 2021.
7. “Disability-Inclusive Education Policy and Action Plan” means the Tuvalu Ministry of Education, Youth and Sport Disability-Inclusive Education Policy and Action Plan dated June 2021, approved by Cabinet pursuant to Cabinet Decision number M135/21 dated October 20, 2021.
8. “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).
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. “Minister of Finance” means the Recipient’s minister responsible for finance.
11. “Minister for Health, Social Welfare and Gender Affairs” means the Recipient’s minister responsible for health, social welfare, and gender affairs.

12. “Ministry of Health, Social Welfare and Gender Affairs” means the Recipient’s ministry responsible for health, social welfare and gender affairs, or any successor thereto.
13. “Ministry of Public Works, Infrastructure, Environment, Labour, Meteorology and Disaster” means the Recipient’s ministry responsible for public works, infrastructure, environment, labor, meteorology and disaster, or any successor thereto.
14. “National Disaster Committee” means the Recipient’s National Disaster Committee established under Section 7 of the Recipient’s National Disaster Management Act 2007, 2008 Revised Edition (Cap. 20.38).
15. “National Disaster Management (Amendment) Act 2021” means the National Disaster Management (Amendment) Act 2021 (Act No. 2 of 2021) as assented to by the Acting Governor-General on July 1, 2021.
16. “National Disaster Management Act 2007” means the Recipient’s National Disaster Management Act 2007, 2008 Revised Edition (Cap. 20.38).
17. “Phase 1 of the National Building Code” means the document titled “National Building Code of Tuvalu 2021, Section A” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section B” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section DC” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section DD” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section DE” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section DF” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section DG” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section GC” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section GD” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section GE” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section GF” dated October 19, 2021, the document titled “National Building Code of Tuvalu 2021, Section GG” dated October 19, 2021, and the document titled “National Building Code of Tuvalu 2021, Section GH” dated October 19, 2021, all endorsed by Cabinet pursuant to Cabinet Decision M230/21 dated September 30, 2021.
18. “Program” means the program of objectives, policies, and actions set forth or referred to in the letter dated October 4, 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.

19. "Public Procurement (Amendment) Regulations 2021" or "Regulations" means the Recipient's Public Procurement (Amendment) Regulations 2021 (LN 19 of 2021), made under the hand of the Minister of Finance on May 28, 2021, under section 18(3) of the Recipient's Public Procurement Act 2013.
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 titled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule 1 to this Agreement.
22. "Standard Bidding Documents" means the document titled "Major Procurement – Limited Shopping (Goods)", the document titled "Minor Procurement – Invitation for Quotation (Goods)", the document titled "Standard Bidding Documents For Open Competitive Bidding (Goods)" dated May 2021, the document titled "Standard Bidding Documents For Open Shopping (Goods)" dated May 2021, the document titled "Template for Annual Procurement Plan" dated May 2021, the document titled "Procurement Proposal" dated May 2021, the document titled "Standard Request for Proposals for Consulting Services (For QCBS and QBS only)" dated May 2021, the document titled "Invitation for Quotation For Limited Shopping (Works) (Below advertising threshold)" dated May 2021, the document titled "Standard Bidding Documents For Open Competitive Bidding (Works)" dated May 2021, and the document titled "Standard Bidding Documents For Open Shopping (Works)" dated May 2021, all issued by the Minister of Finance on October 20, 2021 under the Public Procurement Act 2013.
23. "Tuvalu Overseas Medical Referral Scheme (TOMRS) Policy" means the Tuvalu Overseas Medical Referral Scheme (TOMRS) Policy, June 2021 Revision, issued by the Ministry of Health, Social Welfare and Gender Affairs, signed by the Minister for Health, Social Welfare and Gender Affairs on September 15, 2021, and endorsed by Cabinet pursuant to Cabinet Decision number M227/21 dated October 12, 2021.