Project Agreement

(Telecommunication and ICT Development Project)

between

INTERNATIONAL DEVELOPMENT ASSOCIATION

and

TELECOMMUNICATIONS AUTHORITY OF KIRIBATI

Dated September 26, 2012
PROJECT AGREEMENT

AGREEMENT dated September 26, 2012, entered into between INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association") and TELECOMMUNICATIONS AUTHORITY OF KIRIBATI ("Project Implementing Entity") ("Project Agreement") in connection with the Financing Agreement ("Financing Agreement") of same date between the REPUBLIC OF KIRIBATI ("Recipient") and the Association. The Association and the Project Implementing Entity hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to the Financing Agreement) constitute an integral 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 Financing Agreement or the General Conditions.

ARTICLE II — PROJECT

2.01. The Project Implementing Entity declares its commitment to the objectives of the Project and the Program. To this end, the Project Implementing Entity shall carry out Components 2 and 3(b) of the Project in accordance with the provisions of Article IV of the General Conditions, and shall provide promptly as needed, the funds, facilities, services and other resources required for its Respective Parts of the Project.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Association and the Project Implementing Entity shall otherwise agree, the Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the provisions of the Schedule to this Agreement.

ARTICLE III — TERMINATION

3.01. For purposes of Section 8.05(c) of the General Conditions, the date on which the provisions of this Agreement shall terminate is twenty (20) years after the date of this Agreement.

ARTICLE IV — REPRESENTATIVE; ADDRESSES

4.01. The Project Implementing Entity’s Representative is its Chief Executive Officer.

4.02. The Association’s address is:
International Development Association
1818 H Street, NW
Washington, DC 20433
United States of America

Cable: Telex: Facsimile:
INDEVAS 248423(MCI) 1-202-477-6391
Washington, D.C.

4.03. The Project Implementing Entity’s Address is:

Telecommunications Authority of Kiribati
P.O. Box 529, Betio
Tarawa, Republic of Kiribati

Facsimile:
686 25432

AGREED at Tarawa, Kiribati, as of the day and
year first above written.

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: [Name]
Title: [Title]

TELECOMMUNICATIONS AUTHORITY OF KIRIBATI

By

[Signature]
Authorized Representative

Name: [Name]
Title: [Title]
SCHEDULE

Execution of the Project Implementing Entity's Respective Parts of the Project

Section I. Implementation Arrangements

A. Institutional Arrangements

The Project Implementing Entity shall, not later than three (3) months after the Effective Date:

1. adopt, and thereafter maintain throughout the period of Project implementation the Project Operations Manual in form and substance satisfactory to the Association; and

2. appoint, and thereafter maintain throughout the period of Project implementation a Project Director with terms of reference, experience and qualifications acceptable to the Association to administer and coordinate the implementation of its Respective Parts of the Project, as further set forth in the Project Operations Manual.

B. Anti-Corruption

The Project Implementing Entity shall ensure that its Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Subsidies for Outer Islands Connectivity

1. The Project Implementing Entity shall make Subsidies for Outer Islands Connectivity Subprojects to Providers as established under Component 3(b) of the Project and in accordance with eligibility criteria and procedures acceptable to the Association, all as further detailed in the Outer Islands Connectivity Strategy and Policy and the Project Operations Manual.

2. The Project Implementing Entity shall make each Subsidy available under the relevant Subsidy Agreement entered with each respective Provider, on terms and conditions approved by the Association, which shall include the following:

   (a) The Subsidy shall be made to the Provider as non reimbursable transfer of financial resources expended out of Grant proceeds, subject to the proviso of subparagraph (b)(i) hereunder.

   (b) The Project Implementing Entity shall obtain rights adequate to protect its interests and those of Recipient and the Association, including the
right to: (i) suspend or terminate the right of the Provider to use the proceeds of the Subsidy, or obtain a refund of all or any part of the amount of the Subsidy then withdrawn, upon the Provider's failure to perform any of its obligations under the Subsidy Agreement; and (ii) require each Provider to: (A) carry out its Outer Islands Connectivity Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the Association, including in accordance with the provisions of the Outer Islands Connectivity Strategy and Policy, the Project Operations Manual, the Safeguard Documents (and related plans prepared in accordance with said Safeguard Documents) and the Anti-Corruption Guidelines; (B) provide, promptly as needed, the resources required for the purpose; (C) procure the goods, works and services to be financed out of the Subsidy in accordance with the provisions of this Agreement; (D) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the Association, the progress of the Outer Islands Connectivity Subproject and the achievement of its objectives; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, both in a manner adequate to reflect the operations, resources and expenditures related to the Outer Islands Connectivity Subproject; and (2) at the Association's, the Recipient's or the Project Implementing Entity's request, have such financial statements audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association, and promptly furnish the statements as so audited to the Recipient, the Project Implementing Entity, and the Association; (F) enable the Recipient, the Project Implementing Entity and the Association to inspect the Outer Islands Connectivity Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient, the Project Implementing Entity and the Association all such information as the Recipient, the Implementing Entity or the Association shall reasonably request relating to the foregoing.

3. The Project Implementing Entity shall exercise its rights under each Subsidy Agreement in such manner as to protect the interests of the Recipient, the Project Implementing Entity and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, the Project Implementing Entity shall not assign, amend, abrogate or waive any Subsidy Agreement or any of its provisions. In case of any conflict between the terms of the Subsidy Agreement and the terms of this Agreement or the Financing Agreement, the terms of this Agreement and the Financing Agreement shall prevail.
D. Project Operations Manual, Outer Islands Connectivity Strategy and Policy and Safeguard Documents

(a) The Project Implementing Entity shall carry out its Respective Parts of the Project in accordance with the Project Operations Manual, the Outer Islands Connectivity Strategy and Policy and the Safeguard Documents.

(b) The Recipient shall ensure that all plans prepared in accordance with the Safeguard Documents are carried out in accordance with their terms.

(c) The Recipient shall not amend the Project Operations Manual, the Outer Islands Connectivity Strategy and Policy or the Safeguard Documents without the prior written approval of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Project Implementing Entity shall monitor and evaluate the progress of its Respective Parts of the Project and prepare Project Reports for its Respective Parts of the Project in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators set forth in the Project Operations Manual. Each such Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the Recipient not later two weeks after the end of the period covered by such report for incorporation and forwarding by the Recipient to the Association of the overall Project Report.

2. The Project Implementing Entity shall provide to the Recipient not later than two (2) months after the Closing Date, for incorporation in the report referred to in Section 4.08(c) of the General Conditions all such information as the Recipient or the Association shall reasonably request for the purposes of such Section.

B. Financial Management, Financial Reports and Audits

1. The Project Implementing Entity shall maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Association, in a manner adequate to reflect the operations, resources and expenditures related to its Respective Parts of the Project, as further detailed in the Project Operations Manual.

2. The Project Implementing Entity shall have the Project financial statements referred to above audited by independent auditors acceptable to the Association, in accordance with consistently applied auditing standards acceptable to the Association. Each audit of these financial statements shall cover the period of one fiscal year of the Project Implementing Entity. The Project Implementing Entity
shall ensure that the audited financial statements for each period shall be: (a) furnished to the Recipient and the Association not later than six months after the end of the period; and (b) made publicly available in a timely fashion and in a manner acceptable to the Association, as further detailed in the Project Operations Manual.

Section III. **Procurement**

All goods, works and services required for the Project Implementing Entity’s Respective Parts of the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the provisions of Section III of Schedule 2 to the Financing Agreement.

Section IV. **Other Undertakings**

The Project Implementing Entity shall, by February 28, 2015, or such other date as the Association and the Recipient shall agree upon: (i) carry out jointly with the Association and the Recipient, a mid-term review of the implementation of operations under the Project, which shall cover the progress achieved in the implementation of the Project; and (ii) following such mid-term review, act promptly and diligently to take any corrective action as shall be recommended by and agreed with the Association and the Recipient.