Global Partnership on Output-based Aid

Grant Agreement

(GPOBA Improved Electricity Access Project)

between

THE REPUBLIC OF VANUATU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Global Partnership on Output-based Aid

Dated 2nd June, 2014
GLOBAL PARTNERSHIP ON OUTPUT-BASED AID
GRANT AGREEMENT

AGREEMENT dated 2nd June, 2014, entered into between the REPUBLIC OF VANUATU ("Recipient") and the INTERNATIONAL DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the Global Partnership on Output-based Aid ("GPOBA").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement.

Article II
The Project

2.01. The Recipient declares its commitment to the objectives of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through the Ministry of Climate Change and Natural Disaster in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed four million eight hundred fifty thousand United States Dollars (US$4,850,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section IV of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the donors under the abovementioned trust fund.
fund, and the Recipient's right to withdraw the Grant proceeds is subject to the availability of such funds.

Article IV
Effectiveness; Termination

4.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following conditions have been satisfied:

(a) the Subsidy Implementation Agreement referred to in Section I.B of Schedule 2 to this Agreement has been executed on behalf of the Recipient and the Service Providers; and

(b) the Recipient has adopted the Project Operations Manual in accordance with Section I.C of Schedule 2 to this Agreement.

4.02. As part of the evidence to be furnished pursuant to Section 4.01, there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Recipient, showing the following matter, the Subsidy Implementation Agreement referred to in Section I.B of Schedule 2 to this Agreement has been duly authorized or ratified by the Recipient and the Service Providers and is legally binding upon each such party in accordance with its terms.

4.03. Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 4.01 ("Effective Date"). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Grant Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

4.04. Termination for Failure to Become Effective. This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date 90 days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article V
Recipient's Representative; Addresses

5.01. The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance.
5.02. The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Management
Port Vila, Vanuatu

Telex: 67823032  Facsimile: 67827937

5.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable: INTBAFRAF  Telex: 248423 (MCI)  Facsimile: 1-202-477-6391
INDEVAS  64145 (MCI)
Washington, D.C.

AGREED at Port Vila, Vanuatu, as of the day and year first above written.

**REPUBLIC OF VANUATU**

By

**Authorized Representative**

**Name:** Hon. Mali C. Sinuelum

**Title:** Minister of Finance and Economic Management

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

acting as Administrator of the Global Partnership on Output-based Aid

By

**Authorized Representative**

**Name:** FRANZ R. DREES-GROSS

**Title:** COUNTRY DIRECTOR, EACNF
SCHEDULE 1

Project Description

The objective of the Project is to increase sustainable access to formal grid-based electricity services within the Recipient's electricity concession service areas for low-income customers through targeted subsidies. The Project consists of the following parts:

Part 1: **New Service Connections for Low-Income Households**

Provision of OBA Subsidies to assist in covering the costs of connecting Eligible Households to grid-based electricity services.

Part 2: **Household Wiring for Low-Income Households**

Provision of OBA Subsidies to assist in covering the costs of household wiring and energy-saving light bulbs for Eligible Households gaining electricity connections under Part 1.

Part 3: **Project Management, Monitoring and Evaluation, Communications and Outreach, and Training**

Carrying out activities to support implementation of the project, including, among other things:

(a) Raising Beneficiaries' awareness of the OBA Subsidies available under Part 1 and Part 2 and training on safe electrical practices;

(b) Development and adoption of technical standards and a licensing scheme for household wiring, including delivering training programs for electricians and monitoring compliance with standards;

(c) Monitoring and evaluation, financial management, supervision, and audit of the Project; and

(d) Technical training, support, and incremental operating costs for the Department of Energy.

Part 4: **Independent Verification**

Carrying out independent monitoring and verification of connections through an independent agent.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

1. The Department of Energy shall be responsible for Project overall implementation, management, and monitoring and evaluation, including administrative management.

2. The Recipient shall ensure that the Project Management Unit is maintained throughout Project implementation, with an institutional framework, functions, and resources, including competent personnel in adequate numbers, satisfactory to the World Bank, with responsibility for fiduciary and procurement activities under the Project.

B. OBA Subsidies to Low-income Households; Subsidy Implementation Agreement

1. The Recipient shall, through the Department of Energy, provide OBA Subsidies on behalf of Eligible Households under Parts 1 and 2 of the Project, in accordance with the Project Operations Manual and Subsidy Implementation Agreements.

2. For the purposes of Parts 1 and 2 of the Project, the Recipient shall, through Department of Energy, enter into a Subsidy Implementation Agreement with each Service Provider, under terms and conditions satisfactory to the World Bank including the following:

   a. require the Service Provider to carry out its obligations in accordance with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the Anti-Corruption Guidelines, the ESMF, the Resettlement Action Framework, and the Project Operations Manual;

   b. the eligibility criteria for the OBA Subsidies;

   c. require that all Household Wiring be carried out by Qualified Electrical Contractors;

   d. include the requirement for all connections to be verified by an Independent Verification Agent prior to payment of the respective OBA Subsidy, in accordance with the Project Operations Manual;

   e. stipulate that in the case of conflict between the provisions of the Subsidy Implementation Agreement and this Agreement, the latter shall apply.
f. provide that the Recipient shall have the right to suspend or terminate the right of the Service Provider to receive OBA Subsidy payments upon failure by the Service Provider to perform its obligations under the Subsidy Implementation Agreement.

C. Project Operations Manual

1. The Recipient shall adopt a Project Operations Manual, setting forth detailed arrangements for implementation of the Project, including arrangements for financial management, procurement, disbursement and flow of funds, indicators for monitoring and evaluation of the Project and arrangements for implementation of OBA Subsidies.

2. The Recipient shall ensure that the Project is carried out in accordance with the Project Operations Manual; and except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived, the Project Operations Manual or any provision thereof.

3. In the event of a conflict between the provisions of the Project Operations Manual and those of this Agreement, the latter shall govern.

D. Independent Verification Agent and Output Verification Reports

The Recipient shall, by not later than two (2) months after the Effective Date, appoint in accordance with Section III of this Schedule 2, and thereafter maintain at all times during implementation of the Project, an Independent Verification Agent ("IVA") to be responsible for verification of eligible outputs submitted by each Service Provider under the Project and preparation of an Output Verification Report as a basis for OBA Subsidy payments, in accordance with the provisions of the Project Operations Manual and the Subsidy Implementation Agreement. To this end, no payments for OBA Subsidies shall be made until and unless the IVA has verified the respective connection and prepared an Output Verification Report, acceptable to the World Bank, for each such connection in accordance with the Project Operations Manual.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the ESMF and RPF.

2. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, in accordance with terms of reference satisfactory to the World Bank: (a) monitor the status of compliance with the ESMF and RPF; and (b) prepare and furnish to the World Bank, as part of each Project Report, a report on
the results of such monitoring activities during the period covered by said Project Report, giving details of:

i. measures taken in furtherance of the ESMF and RPF;

ii. conditions, if any, that interfere or threaten to interfere with the smooth implementation of the ESMF and RPF;

iii. remedial measures taken or required to be taken to address such conditions.

3. The Recipient shall afford the World Bank a reasonable opportunity to review the reports prepared under paragraph 2 of this Part F, and thereafter shall carry out with due diligence all remedial measures agreed with the World Bank so as to ensure the proper implementation of the Project in accordance with the ESMF and RPF.

G. Donor Visibility and Visit

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the donors' support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank's request, enable the representatives of the donors to visit any part of the Recipient's territory for purposes related to the Project.

Section II. Project Monitoring, Reporting, and Evaluation

A. Project Reports; Completion Report

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports, in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators set forth in the Project Operations Manual, acceptable to the World Bank. Each Project Report shall cover the period of one (1) fiscal year semester, and shall be furnished to the World Bank not later than forty-five (45) days after the end of the period covered by such report.

2. The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.
2. The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such audit shall cover the period of one fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six (6) months after the end of such period.

Section III. Procurement

A. General

1. Procurement and Consultant Guidelines. All goods, works, non-consulting services and consultants’ services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in:

(a) Section I of the Procurement Guidelines in the case of goods, works and non-consulting services, and Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants’ services; and

(b) the provisions of this Section III, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

2. Definitions. The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. Particular Methods of Procurement of Goods and Works and Non-consulting Services

1. International Competitive Bidding. Except as otherwise provided in paragraph 2 below, goods and works shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. Other Methods of Procurement of Goods and Works. The following methods, other than International Competitive Bidding, may be used for procurement of goods and works for those contracts specified in the Procurement
Plan: (a) Procurement under Public Private Partnership (PPP) Arrangements, (b) Shopping, and (c) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. Quality- and Cost-based Selection. Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. Other Methods of Procurement of Consultants' Services. The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. Review by the World Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.

2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Grant ("Category"), the allocations of the amounts of the Grant to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:
<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Grant Allocated (expressed in USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consultants’ services, Incremental Operating Costs, Training and Workshops under Part 3 of the Project</td>
<td>350,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) OBA Subsidies under Parts 1 and 2 of the Project</td>
<td>4,300,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Consultants’ services under Part 4 of the Project</td>
<td>200,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>4,850,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments:

   (a) made prior to the date of this Agreement;

   (b) under Category (1), unless and until the audit reports for the World Bank-financed Increasing Resilience to Climate Change and Natural Hazards in Vanuatu Project (TF095486) and Vanuatu Forest Partnership Facility Readiness Plan Preparation (TF096103) have been submitted to the World Bank, in form and substance satisfactory to the World Bank.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2018.
APPENDIX

Definitions

1. “Affected Persons” means a person who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and “Affected Persons” means more than one Affected Person.


3. “Category” means the category set forth in the table in Section IV of Schedule 2 to this Agreement.


5. “Department of Energy” means the Recipient’s Department of Energy, within the Ministry of Climate and Natural Disaster, or any successor thereto.

6. “Eligible Household” means a household that has no formal or individual connection to the electricity grid, that qualifies for connection as a Small Domestic Consumer, and that applies for a subsidized connection under the Project.

7. “Environmental and Social Management Framework” or “ESMF” means the Recipient’s framework, including the Resettlement Policy Framework, dated December 2013 and agreed with the World Bank, setting forth enhancement, monitoring, and institutional measures to eliminate any adverse environmental and social impacts of the activities to be implemented under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, including details of provisions for distinct, vulnerable, social and cultural groups, and compensation, rehabilitation, and resettlement assistance to Affected Persons, as such framework may be amended from time to time with the prior written agreement of the World Bank.

8. “Household Wiring” means the installation of wiring from the utility meter box to a ready board within an Eligible Household, such wiring to be in accordance with the standards set forth in the Project Operations Manual.

9. “Incremental Operating Costs” means the incremental costs of the Project incurred by the Recipient on account of Project implementation, monitoring, evaluation, coordination and supervision, as approved by the World Bank based on annual budgets acceptable to the World Bank, which would not have been incurred but for the Project, including: (i) maintenance of equipment and computers including hardware and software; (ii) outreach and communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iii) office supplies and equipment; (iv) rent for office facilities; (v) travel and per diem costs for technical
staff carrying out supervisory, data collection, and quality control activities; (vi) operation and maintenance of vehicle, repairs, fuel, and spare parts; and (vii) salaries of local Project administrative staff but excluding salaries of the Recipient's civil servants.

10. “Independent Verification Agent” or “IVA” means the agent to be appointed by the Department of Energy as provided for in Section I.D of Schedule 2.

11. “OBA Subsidy” means the amounts to be paid to a Service Provider for Household Wiring or Service Connections, in accordance with the Project Operations Manual and as verified by the IVA.


14. “Procurement Plan” means the Recipient’s procurement plan to be prepared for the Project, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

15. “Project Management Unit” means the unit within the Vanuatu Meteorology and Geo-Hazards Department responsible for financial and procurement support.

16. “Project Operations Manual” means the manual prepared by the Recipient, satisfactory to the World Bank, setting forth the implementation rules and procedures for the Project as described in Section I.C of Schedule 2 to this Agreement, including output verification criteria and reporting.

17. “Qualified Electrical Contractor” means a contractor that meets the qualifications set forth in the Project Operations Manual and/or authorized by a Service Provider to carry out Household Wirings and/or Service Connections.

18. “RPF” means the Recipient’s Resettlement Policy Framework, included in the ESMF, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and related assets under the Project, compensation, resettlement, and rehabilitation of Affected Persons, if any, as well as guidelines and procedures for the preparation of Resettlement Action Plans, as the same may be amended and/or supplemented from time to time with the prior written agreement of the Association.

19. “Service Connection” means a connection directly from the existing distribution lines either above ground or below ground to the utility meter box for the Eligible Household, including cables, fittings, fuses, labor, and (where necessary) installation of an additional power pole to facilitate the service connection.

20. “Service Provider” means the Union Electrique du Vanuatu Ltd. (UNELCO) or Vanuatu Utilities and Infrastructure Limited (VUI) individually, both established under the Company Act, CAP
191 of the Laws of the Recipient, and as per the Electricity Act, CAP 65 of the Laws of the Recipient, mandated to provide electricity services in the Recipient’s territory; and “Service Providers” means UNELCO and VUI, collectively.

21. “Small Domestic Consumer” means the category used by each Service Provider for low-consumption users with access to a tariff charge below the base tariff cost, as specified in the Project Operations Manual.


23. “Subsidy Implementation Agreement” means the agreement between the Recipient and each Service Provider setting forth implementation arrangements for Parts 1 and 2 of the Project, as described in Section I.B of Schedule 2 to this Agreement.

24. “Training and Workshops” means training courses and workshops required for the Project, as approved by the World Bank, including reasonable course or conference fees, travel and accommodation costs, per diems, rental of training and workshop facilities, preparation and production of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation.

25. “Vanuatu Meteorology and Geo-Hazards Department” means the department within the Ministry of Climate Change and Natural Disaster, responsible for overseeing climate change and natural disaster issues.