December……., 2013

Honorable Maki Stanley Simelum
Minister of Finance and Economic Management
Port Vila
Vanuatu

Dear Minister,

Vanuatu: Energy Sector Development Project (ESMAP Grant No. TF014991)
First Letter of Amendment

I refer to the Letter Agreement dated June 21, 2013 (the “Letter Agreement”) between the Republic of Vanuatu (the “Recipient”) and the International Bank for Reconstruction and Development and the International Development Association (the “World Bank”), acting as administrator of the Energy Sector Management Assistance Program ("ESMAP") multi-donor trust fund, for the above-mentioned project (the “Project”).

Pursuant to recent discussions with the Recipient, the World Bank agrees to amend the Letter Agreement as follows:

1. The first sentence of the Letter Agreement is amended to read as follows:

   In response to the request for financial assistance made on behalf of the Republic of Vanuatu (the “Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (the "World Bank"), acting as administrator of the Energy Sector Management Assistance Program (“ESMAP”) multi-donor trust fund, proposes to extend to the Recipient a grant in an amount not to exceed one million United States Dollars (U.S.$1,000,000) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in financing Component 1(i) and (ii) of the project described in the Annex (“Project”).

2. The table in Section 3.01 of the Annex is amended to read as follows:

<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, Consultant Services, and Training and Workshops for Component 1 (i) and (ii) of the Project</td>
<td>900,000</td>
<td>100%</td>
</tr>
<tr>
<td>2. Incremental Operating Costs for Component 1 (i) and (ii) of the Project</td>
<td>100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,000,000</td>
<td></td>
</tr>
</tbody>
</table>
3. Section 2.03 of the Annex (Institutional and Other Arrangements) is amended to include the following subsection (b):

(b) The Recipient shall ensure that all terms of reference for any technical assistance, studies, and analytical work under the Project are consistent with the World Bank’s environmental and social safeguards.

4. The following Article IV is inserted immediately after Article III of the Annex, and the subsequent Article is renumbered:

**Article IV**

**Additional Remedies**

4.01. **Additional Event of Suspension.** The Additional Event of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following: at any time before the Closing Date, the Recipient has failed, in the opinion of the World Bank, to apply, to any initiative identified under the Project that has commenced, standards or measures consistent with international good practice to ensure environmentally and socially sustainable management.

Except as specifically provided in this Amendment, all other terms and conditions of the Letter Agreement shall remain in full force and effect.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date both enclosed copies of this letter in the space provided and returning one signed copy. The above Amendment will become effective as of the date of the Recipient’s countersignature of this letter.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/
INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Truman G. Packard
Acting Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

AGREED:

REPUBLIC OF VANUATU

By:

Authorized Representative

Name: Hon Maki Simelum
Title: Minister of Finance
Date: 27th December 2013