Financing Agreement

(Amending and Restating the Original Financing Agreement)

(Pacific Aviation Investment Program-
Tuvalu Aviation Investment Project)

between

TUVALU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 5th December, 2013
FINANCING AGREEMENT

AGREEMENT dated 5th December, 2013 entered into between TUVALU ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS:

(A) the Recipient, the Kingdom of Tonga ("Tonga"), the Republic of Kiribati ("Kiribati") (collectively the "Program Countries") are carrying out a regional program ("Program") of aviation investments in a coordinated manner with financing provided by the Association and PRIF;

(B) under an agreement dated February 17, 2012, between the Recipient and the Association ("Original Financing Agreement"), the Association agreed to provide the Recipient with a grant (H749-TV) in an amount equivalent to seven million five hundred thousand Special Drawing Rights (SDR 7,500,000) ("Original Grant") to assist in financing the project described in Schedule 1 to the Original Financing Agreement ("Original Project");

(C) under an agreement dated July 30, 2012, between the Recipient and Association, acting as administrator of grant funds provided by PRIF ("PRIF Grant Agreement"), the Association agreed to provide the Recipient with a grant (TF012703) in an amount of one hundred seventy thousand Dollars ($170,000) to assist in financing Part 2(d) of the Original Project;

(D) the Recipient has requested the Association to provide additional financial assistance in support of activities related to the Original Project, by providing a grant in an amount equivalent to four million Special Drawing Rights (SDR 4,000,000) ("Additional Grant"); and

(E) the Association has agreed, on the basis, inter alia, of the foregoing to extend such additional assistance to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE the Recipient and the Association hereby agree to amend and restate the Original Financing Agreement as of the Effective Date of this Agreement, to read as one consolidated text constituting this Agreement and enter into effect as of the Effective Date.
ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

1.01. The General Conditions (as defined in the Appendix to this 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 General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, an amount equivalent to eleven million five hundred thousand Special Drawing Rights (SDR 11,500,000) (“Financing”) which consists of: (a) a grant (H749-TV) in an amount in various currencies equivalent to seven million five hundred thousand Special Drawing Rights (SDR 7,500,000) (“Original Grant”) and (b) a grant (H896-TV) in various currencies equivalent four million Special Drawing Rights (SDR 4,000,000) (“Additional Grant), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).

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

2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.

2.04. The Payment Dates are February 15 and August 15 in each year.

2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall:

(a) through the Line Ministries, carry out Parts 2 (a) and (b) and 3 of the Project; and
(b) through MCT, with the assistance of the TAL (through TFSU), carry out Parts 1 and 2 (c) and (d) of the Project, all in accordance with the provisions of Article IV of the General Conditions.

3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association 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 IV — EFFECTIVENESS; TERMINATION

4.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.

4.02. For purposes of Section 8.05 (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 date of this Agreement.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is the Minister of Finance and Economic Development.

5.02. The Recipient’s Address is:

Ministry of Finance and Economic Development
Vaiku
Funafuti
Tuvalu

5.03. The Association’s Address is:

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

Cable: Telex: Facsimile:
INDEVAS 248423 (MCI) 1-202-477-6391
AGREED at Funafuti, Tuvalu, as of the day and year first above written.

TUVALU

By

[Signature]

Authorized Representative

Name: MAATIA TOAFA
Title: MINISTER FOR FINANCIAL ECONOMIC DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]

Authorized Representative

Name: FRANZ R. DREES-GROSS
Title: COUNTRY DIRECTOR, EACNF
SCHEDULE 1

Project Description

The objective of the Project is to improve the safety and security of air transport and associated infrastructure.

The Project is part of the Program and consists of the following parts:

Part 1: Airport and Associated Infrastructure Investments

Carrying out of airport and associated infrastructure improvements, including inter alia:

(a) rehabilitation of the runway, taxiway and apron (including, if viable storage facilities for water runoff);

(b) construction of a new terminal and control tower;

(c) provision of air traffic control equipment;

(d) installation of new navigation aids, automatic weather monitoring, safety and security equipment;

(e) provision of the satellite communications network;

(f) conducting a survey of obstacles infringing on the airport;

(g) provision of fire safety equipment;

(h) provision of design and supervision consulting services required for implementation of the infrastructure investments;

(i) provision of equipment for the maintenance of aerodrome facilities;

(j) construction of a fire tender shelter;

(k) resurfacing and maintenance of road infrastructure, including installation of solar street lighting; and

(l) removal of solid waste.
Part 2: Sector Reform and Training

Provision of technical assistance to MCT and the Line Ministries for, *inter alia*:

(a) strengthening the capabilities for aviation sector management, policy, safety and security oversight;

(b) training on aviation policy, management and operations;

(c) carrying out of a baseline audit of the safety and security at Funafuti airport and review of progress in the implementation of the ICAO Corrective Action Plan by the Recipient; and

(d) carrying out of safety and security oversight audits.

Part 3: Project Support

Provision of technical, advisory and administrative support to MCT, Line Ministries and the TFSU, including provision of office space and equipment, services of financial auditors and financing annual subscriptions for the operation of the satellite communications Network during Project implementation period.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional

1. Program Steering Committee

To ensure proper oversight and implementation of the Program at regional level, the Recipient shall, in collaboration with Kiribati and Tonga, ensure that the Program Steering Committee is maintained, throughout the Project implementation period: (a) comprised of, *inter alia*, the chairmen of the National Steering Committees (or their designated representatives) from each of the Program Countries, PASO’s general manager (or a designated representative) and the director of the TFSU; (b) with terms of reference satisfactory to the Association; and (c) with responsibility for reviewing and evaluating Program implementation progress. To this end, the Recipient shall ensure that the Program Steering Committee shall meet at least once every calendar quarter.

2. National Steering Committee

To ensure proper oversight of the Project at national level, the Recipient shall maintain, throughout the Project implementation period, the National Steering Committee with terms of reference and composition satisfactory to the Association, with responsibility for, *inter alia*, Project oversight, including ensuring consistency of the Project with the goals and objectives of the national aviation sector, making recommendations regarding the resolution of Project-related implementation issues and proposing remedial actions.

3. Regional Procurement Evaluation Committee

The Recipient shall, in collaboration with Kiribati and Tonga, ensure that the Regional Procurement Evaluation Committee, is maintained throughout the Project implementation period, comprised of representatives the Program Countries, TAL (through TFSU) and PASO to be responsible for, *inter alia*, evaluating regional level procurement activities under the Project.

4. Project Support Team

The Recipient shall maintain, throughout the Project implementation period, the Project Support Team with resources, terms of reference and composition satisfactory to the Association, to be responsible for day to day management of the Project.
B. Service Agreement

1. To facilitate proper and efficient implementation of Parts 1, 2(c) and (d) of the Project, the Recipient shall maintain, throughout Project implementation period, the services of TFSU, through TAL, to assist MCT with implementation of said Parts of the Project, under a Service Agreement with terms and conditions acceptable to the Association, including:

(a) the obligation of TFSU to provide to MCT technical, fiduciary and safeguards monitoring support for the Project, including preparation and evaluation of bids with the assistance of the Regional Procurement Evaluation Committee;

(b) the obligation of TAL to maintain the TFSU, throughout Project implementation period, with responsibility for day to day coordination of Project activities and implementation support at regional level;

(c) the obligation of the Recipient and TAL, in collaboration with Kiribati and Tonga, to ensure that that the Program Steering Committee is maintained throughout Project implementation period, with composition and terms of reference satisfactory to the Association; and

(d) the Recipient’s obligation to pay its share of the TFSU Costs out of the proceeds of the Financing;

all in accordance with the provisions of this Agreement.

2. The Recipient shall exercise its rights under the Service Agreement, in such manner as to protect the interests of the Recipient, and the Association, and to accomplish the purposes of the Financing, and except as the Association shall otherwise agree in writing, not assign, amend, abrogate or waive the Service Agreement or any provision thereof.

C. Operations Manual

The Recipient shall ensure that the Project is carried out in accordance with the Operations Manual, and except as the Association shall otherwise agree in writing, the Recipient shall not amend, abrogate or waive any provision of the Operations Manual without the prior written agreement of the Association. In case of any discrepancies between the provisions of the Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.
D. **Anti-Corruption**

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

E. **Safeguards**

1. The Recipient shall ensure that Part 1 of the Project is carried out in accordance with the provisions of the Safeguard Instruments.

2. If any activities proposed for inclusion in Part 1 of the Project would, pursuant to the RPF, require the adoption of a RAP, the Recipient shall ensure: (a) that said RAP shall be prepared in accordance with the requirements of the RPF, disclosed locally and furnished to the Association; and (b) ensure that said activities shall not be commenced until: (i) all measures required to be taken under said RAP prior to the commencement of said activities have been taken; (ii) the Recipient has prepared and furnished to the Association a report in form and substance satisfactory to the Association, on the status of compliance with the requirements of said RAP; and (iii) the Association has confirmed that said activities may be commenced.

3. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, in accordance with terms of reference satisfactory to the Association: (a) monitor the status of compliance with the Safeguard Instruments; and (b) prepare quarterly reports and furnish the same to the Association, as part of the Project Reports, on the results of such monitoring activities, giving details of:

   (a) measures taken in furtherance of such Safeguard Instruments;

   (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguard Instruments; and

   (c) remedial measures taken or required to be taken to address such conditions.

4. **Waste Management**

   (a) The Recipient shall ensure that all solid waste generated by Project activities shall be disposed of in accordance with acceptable environmental practices as further stipulated in the EMP.

   (b) Without limitation on the foregoing, if any activity proposed for inclusion in Part 1 of the Project would require the export of Project waste outside the territory of the Recipient, the Recipient shall ensure
that no such export shall commence until and unless: (i) all measures required to be taken under said EMP prior to the commencement of said activities have been taken; and (ii) the Association has confirmed that said activities may be commenced.

5. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 3 of this Part E, and thereafter shall carry out or cause to be carried out, with due diligence, all remedial measures agreed with the Association so as to ensure the proper implementation of Part 1 of the Project in accordance with the Safeguard Instruments.

6. Except as the Association shall otherwise agree in writing, the Recipient shall not amend or waive any provision of the provisions of the Safeguard Instruments. In the event of a conflict between the provisions of the Safeguard Instruments and those of this Agreement, the latter shall prevail.

F. Safety and Security Departure Levy

The Recipient shall, not later than June 30, 2014, and thereafter at all times throughout the Project implementation period, collect from departing international air passengers a levy in a minimum amount equivalent to five Australian Dollars (AU$5) to recover aviation safety and security expenditures incurred by the Recipient, as such amount may be revised with prior written agreement of the Association.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Operations Manual. Each Project Report shall cover the period of one calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.

2. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, interim unaudited
financial reports for the Project covering the quarter, in form and substance satisfactory to the Association.

3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient and include *inter alia* a special examination of the internal controls and compliance with the agreed-upon procurement procedures. The audited Financial Statements for each such period shall be furnished to the Association not later than six (6) months after the end of such period.

Section III. **Procurement**

A. **General**

1. **Goods, Works and Non-consulting Services.** All goods, works and non-consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Section I of the Procurement Guidelines, and with the provisions of this Section.

2. **Consultants’ Services.** All consultants’ services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.

3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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, Works and Non-consulting Services**

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

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following table specifies the methods of procurement, other than International Competitive Bidding, which may be used for goods and works. The Procurement Plan shall specify the circumstances under which such methods may be used:
Procurement Methods

<table>
<thead>
<tr>
<th>(a)</th>
<th>Shopping</th>
</tr>
</thead>
<tbody>
<tr>
<td>(b)</td>
<td>Direct Contracting</td>
</tr>
<tr>
<td>(c)</td>
<td>Force Account</td>
</tr>
</tbody>
</table>

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 table specifies methods of selection, other than Quality- and Cost-based Selection, which may be used for consultants’ services. The Procurement Plan shall specify the circumstances under which such methods may be used:

<table>
<thead>
<tr>
<th>Selection Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Selection Based on Consultants’ Qualifications</td>
</tr>
<tr>
<td>(b) Quality Based Selection</td>
</tr>
<tr>
<td>(c) Least Cost Selection</td>
</tr>
<tr>
<td>(d) Single Source Selection</td>
</tr>
<tr>
<td>(e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants</td>
</tr>
<tr>
<td>(f) Selection of UN Agencies</td>
</tr>
</tbody>
</table>

D. Review by the Association of Procurement Decisions

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

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall 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 Association 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 category of Eligible Expenditures that may be financed out of the proceeds of the Financing ("Category"), the allocations of the amounts of the Financing to the Category, and the percentage of expenditures to be financed for Eligible Expenditures in the Category:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Original Grant Allocated (expressed in SDR)</th>
<th>Amount of the Additional Grant Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (exclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Goods, works, Training, Operating Costs, TFSU Costs and consultants services for the Project (excluding Part 2 (d) of the Project)</td>
<td>7,500,000</td>
<td>4,000,000</td>
<td>100% of the TFSU Costs paid as per the terms of the Service Agreement; and 100% of all other Eligible Expenditures</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>7,500,000</td>
<td>4,000,000</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 made prior to the date of: (a) the Original Financing Agreement with respect to the amounts of the Original Grant, except that withdrawals up to an aggregate amount not to exceed SDR 630,557 equivalent for payments made prior to the date of the Original Financing Agreement but on or after March 1, 2011, for Eligible Expenditures under the Original Grant; and (b) this Agreement with respect to the amounts of the Additional Grant.

2. The Closing Date is December 31, 2016.
APPENDIX

Definitions


2. “AUS” means Australian Dollars, the lawful currency of Australia.

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


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

6. “EMP” means, the Environmental Management Plan, dated November 4, 2011 setting forth, with respect to the Project, measures to be implemented in Tuvalu for the protection of the environment; and avoidance of, or mitigation against, as well as administrative and monitoring arrangements to ensure the implementation of said plan, as said plan may be revised from time to time with the prior written agreement of the Association.


8. “ICAO” means International Civil Aviation Organization, the organization established pursuant to the Chicago Convention on International Civil Aviation signed on December 7, 1944.

9. “ICAO Corrective Action Plan” means the action plan prepared by the Recipient to address deficiencies identified through audits carried out by ICAO under its safety and security oversight program.

11. "Line Ministries" means the Recipient's Office of the Prime Minister, and ministries of Finance and Economic Development, Public Works, Natural Resources and Foreign Affairs and Environment, or any successors thereto, and any other of the Recipient's ministries that may be proposed by the Recipient and agreed to by the Association for purposes of implementing and/or benefiting from the activities referred to in Part 2 (a) and (b) and 3 of the Project.

12. "Ministry of Communications and Transport" or "MCT" means the Recipient's Ministry of Transport and Communications or any successor thereto.

13. "National Steering Committee" means the committee referred to in Section I.A.2 of Schedule 2 to this Agreement.

14. "National Steering Committees" means collectively, the National Steering Committee and similar committees established Kiribati and Tonga for purposes of overseeing implementation of the Program in the respective territories of the Program Countries.

15. "Operating Costs" means incremental expenses incurred by the Recipient (other than TFSU Operating Costs) on account of the implementation, management, and monitoring and evaluation of the Project, based on the annual budgets approved by the Association, including rental of office space, bank charges, communications, utilities, stationery, vehicle operation, maintenance, and insurance, transportation costs, and accommodations and allowances of MCT's and the Line Ministries' staff, taxes incurred during overseas travel, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of the Recipient's civil servants.


17. "Original Grant" has the meaning ascribed to this term in the preamble to this Agreement.

18. "Original Financing Agreement" has the meaning ascribed to this term in the preamble to this Agreement.

19. "Original Project" has the meaning ascribed to this term in the preamble to this Agreement.

20. "PASO" means Pacific Aviation Safety Office, the office established under the terms of the Pacific Islands Civil Aviation Safety and Security Treaty
(PICASST), which was ratified by the Recipient on May 8, 2008 and which entered into force on June 7, 2008, or any successor thereto.

21. “PRIF” means Pacific Region Infrastructure Facility, a multi donor trust fund administered by the Association.

22. “PRIF Grant” has the meaning ascribed to this term in the preamble to this Agreement.

23. “PRIF Grant Agreement” has the meaning ascribed to this term in the preamble to this Agreement.


25. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated September 17, 2013 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.

26. “Program” means the regional aviation program to be carried out by the Program Countries, as presented to such countries in the PASO’s Council Meeting held at Noumea, New Caledonia, on October 13, 2011 at which time the potential interest of the proposed future Program countries (Samoa, Solomon Islands and Vanuatu) was confirmed, and as set forth in minutes of such meeting dated October 21, 2011.

27. “Program Countries” means the Recipient, Kiribati and Tonga.

28. “Program Steering Committee” means the committee, and referred to in Section I.A.1 of Schedule 2 to this Agreement.

29. “Project Support Team” means the team located with MCT, and referred to in Section I. A.4 of Schedule 2 to this Agreement.

30. “Regional Procurement Evaluation Committee” means the referred to in Section I.A.3 of Schedule 2 to this Agreement.

31. “RAP” means a resettlement action plan, in form and substance satisfactory to the Association, to be prepared by the Recipient on the basis of the RPF, and giving details of the specific actions, measures and policies designed to facilitate the achievement of the objectives of the RPF, along with the procedural and institutional measures needed to implement such actions, measures and policies; the term “RAPs” means more than one such RAP.
32. “RPF” or “Resettlement Policy Framework” the resettlement policy framework dated October 21, 2013, acceptable to the Association and adopted by the Recipient, and giving details of provisions for compensation, rehabilitation and resettlement assistance to Displaced Persons.

33. “Safeguard Instruments” means the RPF, EMP and RAPs, if any.

34. “Service Agreement” means the agreement referred to in Section 1 B.1 of Schedule 2 to this Agreement and dated April 17, 2012 between the Recipient and TAL, on behalf of TFSU, as said agreement may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such agreement.


36. “Technical and Fiduciary Services Unit” or “TFSU” means the unit within TAL responsible for regional coordination and Project implementation support as set forth in the Service Agreement.

37. “Tonga” means the Kingdom of Tonga.

38. “TFSU Costs” means:

(a) the costs of consultants services of the TFSU providing services:

   (i) to the Program Countries, prorated between each of the said countries based on the percentage of financing for the Program provided by the Association to each country relative to the Projects total costs which are as follows: Kiribati 37%, Tonga 44% and Tuvalu 19%, and

   (ii) for specific activities in the Recipient’s territory at full cost to the Recipient; and

(b) the applicable TFSU Operating Costs.

39. “TFSU Operating Costs” means incremental expenses incurred by TAL through the TFSU on account of the delivery of services under each of the Service Agreements, based on the annual budgets approved by the Association, including rental of office space, bank charges, communications, utilities, stationery, vehicle operation, maintenance, and insurance, transportation costs, and accommodations and allowances of TAL’s staff, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements.
40. "Training" means the reasonable costs of training under the Project, based on the annual budgets approved by the Association, and attributable to seminars, workshops, and study tours, along with domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, taxes incurred during overseas travel, and other activities directly related to course preparation and implementation.