Hon. Dr. Teuea Toatu
Minister for Finance and Economic Development
Ministry for Finance and Economic Development
P.O. Box 67
Bairiki, Tarawa
Republic of Kiribati

Republic of Kiribati: APIP Grant No. TF0A5560
APIP Grant to Co-finance the Kiribati Adaptation Program Phase III

Dear Hon. Dr. Toatu:

In response to the request for financial assistance made on behalf of the Republic of Kiribati (“Recipient”), I am pleased to inform you that the International Bank for Reconstruction and Development / International Development Association (collectively, “World Bank”), acting as administrator of grant funds provided by the Government of Australia, represented by the Department of Foreign Affairs and Trade (“Donor”), under the Australia-Pacific Islands Partnership Trust Fund (“APIP”), proposes to extend to the Recipient a grant in an amount not to exceed four hundred eighty-five thousand three hundred eight United States Dollars (U.S.$485,308) (“Grant”) on the terms and conditions set forth or referred to in this letter agreement (“Agreement”), which includes the attached Annex, to assist in the financing of the project described in the Annex (“Project”).

The International Bank for Reconstruction and Development acting as an Implementing Agency of the Global Environment Facility Least Developed Country Fund, provided a grant to the Recipient in an amount of three million United States Dollars (U.S.$3,000,000) under the GEF-LDCF Grant Agreement (as this term is defined in Section 1.02 of the Annex to this Agreement) to finance activities related to the Project.

The World Bank, acting as administrator of grant funds provided by the Australian Agency for International Development through the Pacific Region Infrastructure Facility (“PRIF”) multi-donor trust fund, provided a grant to the Recipient in an amount of five million three hundred seventy eight thousand two hundred and fifty four United States Dollars (U.S. $5,378,254) under the PRIF Grant Agreement (as this term is defined in Section 1.02 of the Annex to this Agreement) also to finance activities related to the Project.

This Grant is funded out of the abovementioned APIP trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.
Republic of Kiribati

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient’s agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT / INTERNATIONAL DEVELOPMENT ASSOCIATION acting as administrator of the APIP Trust Fund

Michel Kerf
Country Director
Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:

REPUBLIC OF KIRIBATI

By: ____________________________
Authorized Representative

Name: TEVENI-TABU
Title: MINISTER OF FINANCE
Date: 10/15/2017

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Investment Project Financing dated February 2017.
ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions (as this term is defined in Section 1.02 below) constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions, the GEF-LDCF Grant Agreement, or in this Agreement (including the cover letter to this Agreement and this Section) as follows:

(a) "Anti-Corruption Guidelines" means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011.

(b) "Consultant Guidelines" means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 and revised in July 2014.

(c) "Communities" means local communities in the Recipient’s islands, established in accordance with the Recipient’s law, whose Community Initiatives have been found eligible in accordance with the criteria set forth in the Small Grants Manual agreed with the World Bank, that have applied for financing and have received or are to receive a Small Grant under a Small Grant Agreement to be executed under Part 3(e) of the Project.

(d) “Community Initiatives” means eligible activities as selected and approved by the OB in accordance with relevant provisions of the Small Grants Manual and to be partly financed by a Small Grant under a Small Grant Agreement for the activities set forth in Part 3(e) of the Project.

(e) “Displaced Persons” means persons who may experience direct economic and social impacts that result from the Project and are caused by: (a) the involuntary taking of land resulting in relocation or loss of shelter, loss of assets or access to assets, or loss of income sources or means of livelihood whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas resulting in adverse impacts on the livelihoods of such persons; and “Displaced Person” means any one of such Displaced Persons.

(f) “Environmental Management Plan” means the plan, dated February 2011, adopted by the Recipient and found satisfactory to the World Bank, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of Project activities, offset them, or reduce them to acceptable levels, or enhance positive impacts, as such plan may be modified from time to time with the prior
written agreement of the World Bank, and such term includes any schedules or annexes to such plan.

(g) "GEF-LDCF Grant Agreement" means the Agreement dated October 14, 2011, between the Recipient and the World Bank acting as Implementing Agency of the Global Environment Facility - Least Developed Country Fund, as the same may be amended from time to time (Grant Number TF010875).

(h) "Implementing Entities" means all and any of the following: the Recipient’s Ministry of Public Works and Utilities, the Recipient’s Public Utilities Board, OB, the Recipient’s Ministry of Environment, Land and Agricultural Development, the Recipient’s Ministry of Health and Medical Services, the local island councils located in each island of the Recipient’s Territory, the Betio Town Council located in South Tarrawa in the Recipient’s Territory, and the Teinainano Urban Council located in South Tarrawa in the Recipient’s Territory.

(i) "Land Acquisition and Resettlement Framework" means the framework, dated August, 2005 adopted by the Recipient and found satisfactory to the World Bank, 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 Displaced Persons, as well as guidelines and procedures for the preparation of Land Acquisition and Resettlement Plans, as the same may be modified from time to time with the prior written agreement of the World Bank, and such term includes any annexes or schedules to such framework.

(j) "Land Acquisition and Resettlement Plan" means the plan prepared by the Recipient, agreed with the World Bank pursuant to Section I.D.1(b) of Schedule 2 to the GEF-LDCF Grant Agreement, 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 Displaced Persons, prepared in accordance with the provisions of the Land Acquisition and Resettlement Framework, as the same may be modified from time to time with the prior written agreement of the Bank, and such term includes any schedules or annexes to such plan.

(k) "OB" means the Recipient’s Office of Te Beretitenti (Office of the President).

(l) "Operational Manual" means the manual for the implementation of the Project, prepared by the Recipient and satisfactory to the World Bank, dated 21 August 2017, which includes details of procurement procedures and standard procurement documentation, reporting requirements, financial management procedures and audit procedures, all in accordance with the provisions of this Agreement, as the same may be amended from time to time with the prior written approval of the World Bank.

(m) "PRIF Grant Agreement" means the agreement dated December 15, 2011 between the Recipient and the World Bank acting as administrator of grant funds provided by Australian Agency for International Development through the Pacific Region Infrastructure Facility ("PRIF")
multi-donor trust fund for the Project, as the same may be amended from time to time (Grant Number TF011351).


(o) "Procurement Plan" means 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.

(p) "Small Grants" means grants to be made by the Recipient through the OB to Communities under Part 3(e) of the Project for the financing of eligible Community Initiatives in the Recipient's islands to cover part of the cost of said Community Initiatives.

(q) "Small Grant Agreements" means agreements entered into between the Recipient through the OB and Communities as referred to in Section 2.04 of this Agreement, for the financing and implementation of Community Initiatives.

(r) "Small Gants Manual" means the manual referred to in Section 2.04 (d) of this Agreement as such manual may be amended from time to time subject to the prior written approval of the World Bank.


**Article II**

**Project Execution**

2.01. **Project Objectives and Description.** The objective of the Project is to improve the resilience of the Recipient to the impacts of climate change on freshwater supply and coastal infrastructure.

The Project consists of Parts 1(b), 3(b) and 3(e) of the project description in Schedule 1 to the GEF-LDCF Grant Agreement, and the following additional activity under Part 3(b): the development of (A) a national coastal management policy framework and strategy including *inter alia*, a long term coastal security strategy.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through OB and cause the Implementing Entities to carry out their respective parts of the Project in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the Anti-Corruption Guidelines; and (c) this Article II.
2.03. **Institutional and Other Arrangements.** (a) Without limitation upon the provisions of Section 2.02 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 Section 1 of Schedule 2 to the GEF-LDCF Grant Agreement.

(b) The Recipient shall maintain until completion of the Project, the Project Management Unit referenced in Section I.A.2 of Schedule 2 to the GEF-LDCF Grant Agreement, with qualified staff adequate in numbers and provided with powers, responsibilities and funding as required to provide daily management, implementation, monitoring and evaluation of the Project, including as needed for the selection and approval of Small Grants for Community Initiatives.

2.04 **Community Initiatives.** (a) The Recipient shall make Small Grants to Communities under Part 3(e) of the Project for Community Initiatives in accordance with eligibility criteria and procedures acceptable to the World Bank as further detailed in the Small Grants Manual. To this end, the Recipient shall, through the OB, enter into Small Grant Agreements appropriate for carrying out Community Initiatives, in which the Recipient shall obtain rights adequate to protect its interests and those of the World Bank, including the right to:

(i) suspend or terminate the right of Communities to use the proceeds of the Small Grant, or obtain a refund of all or any part of the amount of the Small Grant then withdrawn, upon the Communities' failure to perform any of their obligations under the Small Grant Agreement; and

(ii) require Communities to:

A. carry out their Community Initiatives with due diligence and efficiency and in accordance with sound technical, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Anti-Corruption Guidelines applicable to recipients of Grant proceeds other than the Recipient, the Environmental Management Plan and the Land Acquisition and Resettlement Framework;

B. provide, promptly as needed, the resources required for the purpose;

C. maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Community Initiatives and the achievement of their objectives;

D. enable the OB and the World Bank to inspect the Community Initiatives, their operation and any relevant records and documents; and

E. prepare and furnish to the OB and the World Bank all such information as the Recipient, the OB or the World Bank shall reasonably request relating to the foregoing.

(b) The Recipient shall cause OB to exercise its rights under each Small Grant Agreement in such a manner as to protect the interests of the Recipient and the World Bank and to accomplish the
purposes of the Grant. Except as the World Bank shall otherwise agree, the Recipient shall ensure that the OB does not assign, amend, abrogate or waive any Small Grant Agreement or any of its provisions.

(c) The Recipient shall carry out all financial management and procurement activities under the Community Initiatives and shall adopt a Small Grants Manual acceptable to the World Bank which shall include inter alia:

(i) Eligibility criteria and selection procedures for activities that may be funded by Small Grants;

(ii) Reporting requirements and procedures for the monitoring and evaluation of the Small Grants to be carried out by the Communities;

(iii) Financial management, disbursement and procurement guidelines and procedures for the implementation of the Small Grants program to be carried out by the Recipient, through OB;

(iv) Terms and conditions to be included in, and the model forms for Small Grant Agreements; and

(v) A list of potentially negative environmental impacts of the activities eligible for Small Grants, and the measures necessary for preventing, minimizing, and mitigating such impacts.

2.05. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor's support for the Project.

2.06. **Project Monitoring, Reporting and Evaluation.** (a) 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 the Operational Manual. Each Project Report shall cover the period of one (1) calendar 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.

(b) 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 months after the Closing Date.

2.07. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) 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 quarter, covering the quarter, in form and substance satisfactory to the World Bank.
(c) The Recipient shall have the Project's Financial Statements audited in accordance with the provisions of Section 2.07 (b) of the Standard Conditions. Each such audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.08. Procurement

(a) General. All goods, works and 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:

(i) Section I of the “Guidelines: Procurement under IBRD Loans and IDA Credits” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Procurement Guidelines”), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the “Guidelines: Selection and Employment of Consultants by World Bank Borrowers” published by the World Bank in May 2004 and revised in October 2006 and May 2010 (“Consultant Guidelines”) in the case of consultants’ services; and

(iii) the provisions of this Section, 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 1.16 of the Procurement Guidelines and paragraph 1.24 of the Consultant Guidelines (“Procurement Plan”).

(b) Definitions. The capitalized terms used in the following paragraphs of 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 the Procurement Guidelines, or the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services

(i) Except as otherwise provided in sub-paragraph (ii) below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

(ii) The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (A) National Competitive Bidding; (B) Shopping; (C) Direct Contracting; (D) Force Account; (E) Procurement from United Nations Agencies; and (F) Community Participation procedures which have been found acceptable to the World Bank.

(d) Particular Methods of Procurement of Consultants’ Services

(i) Except as otherwise provided in item (ii) below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
(ii) The following methods other than Quality and Cost-based Selection may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection under a Fixed Budget; (C) Least Cost Selection; (D) Selection based on Consultants' Qualifications; (E) Single-source Selection; (F) Selection of Individual Consultants.

(e) 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.

Article III
Withdrawal of Grant Proceeds

3.01. Eligible Expenditures. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "Disbursement Guidelines for Investment Project Financing", dated February 2017, 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 following table. The 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 US$)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, Works, Non-consulting services, Consultants' services, Operating Costs and Training</td>
<td>285,308</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Small Grants under Part 3(e) of the Project</td>
<td>200,000</td>
<td>100% of amounts disbursed</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>485,308</td>
<td></td>
</tr>
</tbody>
</table>

For the purposes of this Section, the terms: (a) "Training" means expenditures (other than for consultants' services) incurred in connection with the carrying out of training, seminars, and workshops under the Project, including the reasonable travel and accommodation cost and per-diem of the trainers and trainees, training materials, rental costs and tuitions; and (b) "Operating Costs" mean incremental expenses incurred on account of Project implementation support and
management and reasonably related thereto, including communications, utilities, stationary, bank charges, domestic travel costs and per diem, maintenance of vehicles and equipment funded by the proceeds of the Financing, but excluding salaries of the Recipients' civil servants.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2018.

### Article IV

**Additional Remedies**

4.01. **Additional Events of Suspension.** The Additional Events of Suspension referred to in Section 4.02 (k) of the Standard Conditions consists of the following:

   (a) that the legal framework establishing the National Adaptation Steering Committee, its membership and its operation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient to perform any of its obligations under this Agreement;

   (b) that the legal framework establishing the Project Management Unit, its staff and its operation have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely, in the opinion of the World Bank, the ability of the Recipient to perform any of its obligations under this Agreement; or

   (c) that the World Bank has suspended in whole or in part the right of the Recipient to make withdrawals under the GEF-LDCF Grant Agreement.

### Article V

**Recipient’s Representative; Addresses**

5.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is minister at the time responsible for finance.

5.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

   Ministry for Finance & Economic Development  
   P.O. Box 67  
   Bairiki, Tarawa

   Facsimile:  
   (686) 21307
5.03. **World Bank’s Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development /
International Development Association
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Facsimile:

1-202-477-6391