Hon. Maki Stanley Simelum  
Minister of Finance and Economic Management  
Ministry of Finance and Economic Management  
PMB 9058  
Port Villa  
Vanuatu  

Re: REPUBLIC OF VANUATU  
PRIF Grant No. TF0A0004  
Vanuatu Aviation Investment Project  

Dear Honorable Minister:  

In response to the request for financial assistance made on behalf of the Republic of Vanuatu ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank"), acting as administrator of grant funds provided under the Pacific Region Infrastructure Facility ("PRIF") multi-donor trust fund, proposes to extend to the Recipient a grant in an amount not to exceed three hundred thousand United States Dollars (U.S.$300,000) ("PRIF 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 Part B.2 of the project described in the Annex ("Project").

This PRIF Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donors. 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 Donors under the abovementioned trust fund, and the Recipient's right to withdraw the PRIF Grant proceeds is subject to the availability of such funds.

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. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date specified by the World Bank in accordance with Section 4.02 of the Annex to this Agreement.
Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By
Franz Drees-Gross
Country Director
Timor-Leste, Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
REPUBLIC OF VANUATU

By
Authorized Representative
Name
Title
MINISTER OF FINANCE
Date: 3 VA JUNE 2015

Enclosures:

(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("Standard Conditions") 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, in the Financing Agreement, or in this Agreement, and the following additional term shall have the following meaning:

"Financing Agreement" means the Financing Agreement between the Recipient and the International Development Association, providing a credit in support of the Project, as that agreement may be amended from time to time.

Article II
Project Execution

2.01. **Project Objectives and Description.** The objective of the Project is to improve the operational safety and oversight of international air transport and associated infrastructure in the Recipient's territory. The Project is described in Schedule 1 to the Financing Agreement.

2.02. **Project Execution Generally.** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out Part B.2 of the Project through MIPU in accordance with the provisions of: (a) the implementation arrangements set forth in Section 3 of Schedule 2 to the Financing Agreement; (b) Article II of the Standard Conditions; (c) 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 ("Anti-Corruption Guidelines"); and (d) this Article II.

2.03. **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.

(b) 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.

2.04. **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 indicators acceptable to the World Bank. Each Project Report shall cover the period of one calendar quarter, 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 (6) months after the Closing Date.

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

2.06. **PASO Fees.** The Recipient shall ensure that the fees for PASO services to be provided under Part B.2 of the Project are paid in accordance with the Service Level Agreement between the Recipient and the Pacific Aviation Safety Office dated August 3, 2007 and the annual work plans and service requests agreed between the parties thereunder, as amended from time to time ("Service Level Agreement").

**Article III**

**Withdrawal of PRIF Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the PRIF 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 "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 100% of Eligible Expenditures, consisting of fees paid for PASO services in accordance with the Service Level Agreement, inclusive of Taxes.

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, except that withdrawals up to an aggregate amount not to exceed $60,000 equivalent may be made for payments made prior to this date but on or after July 1, 2014 for Eligible Expenditures.

3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is December 31, 2019.

**Article IV**

**Effectiveness; Termination**

4.01. **Effectiveness Condition.** This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the following condition has been satisfied, namely that the Financing Agreement has been executed and delivered and all
conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.

4.02. **Effective Date.** 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.

4.03. **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 ninety (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. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 7.01 of the Standard Conditions is its Minister of Finance and Economic Management.

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

  Ministry of Finance and Economic Management  
  PMB 9058  
  Port Vila  
  Republic of Vanuatu

  Facsimile:  
  +678 566 4961

5.03. **World Bank’s Address.** 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: INDEVAS  
  248423 (MCI) or  
  Washington, D.C.  
  4145 (MCI)  
  Telex: 1-202-477-6391  
  Facsimile: