Financing Agreement

(Pacific Resilience Project)
(under the Pacific Resilience Program)

between

REPUBLIC OF VANUATU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 4TH September, 2015
FINANCING AGREEMENT

AGREEMENT dated 4th September, 2015, entered into between REPUBLIC OF VANUATU ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS: the Participating Countries, the Pacific Islands Forum Secretariat and the Secretariat of the Pacific Community have undertaken to carry out a regional program designed to strengthen climate and disaster resilience in the Pacific region with financing provided by the Association and other donors.

The Recipient and the Association hereby agree as follows:

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, a credit in an amount equivalent to one million one hundred thousand Special Drawing Rights (SDR 1,100,000) (variously, "Credit" and "Financing"), 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 III 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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.

2.05. The Payment Dates are March 15 and September 15 in each year.

2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.

2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

3.01. The Recipient declares its commitment to the objective of the Project and the Program. To this end, the Recipient shall carry out the Project through its Ministry of Finance and Economic Management 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.

ARTICLE V — REPRESENTATIVE; ADDRESSES

5.01. The Recipient’s Representative is its Minister responsible for Finance.

5.02. The Recipient’s Address is:

Ministry of Finance and Economic Management (MFEM)
PMB 9031
Port Vila
Vanuatu, South West Pacific

Facsimile:

Tel:(678) 22605 or 23032
5.03. The Association's Address is:

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

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

AGREED at Port Vila, 4th September, 2015, as of the day and year first above written.

REPUBLIC OF VANUATU

By

[Signature]
Authorized Representative

Name: Willie Jimmy
Title: Minister of Finance

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

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

Project Description

The objective of the Project is to strengthen the financial protection of the Recipient.

The Project is part of the first phase of the Program, and consists of the following part:

Part 1: Premiums Financing

Financing of part of the Recipient’s Premia for disaster risk financing or transfer products.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

Regional Level

1. Regional Steering Committee (RSC)

To ensure proper and efficient regional coordination, the Recipient shall, in collaboration with SPC, PIFS and the other Participating Countries, take all necessary measures on its part to ensure that the Regional Steering Committee to be established within PIFS, maintained throughout the Project implementation period, with mandate and adequate resources with responsibility for, inter alia, providing Program oversight, as well as guidance towards achieving Program objectives and a better regional integration, identifying the appropriate short, medium and long term strategy for strengthening resilience in the region. To this end, the Recipient shall: (a) appoint or nominate representative from within its Ministry of Finance, as its representative at the Regional Steering Committee; and (b) ensure continued participation of the national representative in all meetings of the Regional Steering Committee.

National Level


To ensure proper and efficient implementation of the Project, the Recipient shall vest implementation of the Project in its Ministry of Finance and Economic Management.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

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 set forth in the Results Framework and acceptable to the Association. Each Project Report shall cover the period of one
calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

Section III. 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 categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Credit 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 Credit Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Premia</td>
<td>1,100,000</td>
<td>100%</td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>1,100,000</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:

   (a) on or before the effective date of any IDA Risk Transfer Agreement between the Association and the Recipient in respect of a disaster risk financing or transfer product under Part I of the Project, provided by the Association at the Recipient’s request and for which the Recipient has requested that the premium be paid out of the proceeds of the Credit, the Association shall, on behalf of the Recipient, withdraw from the Financing Account and pay to itself the amounts required to pay any such premium up to the amount allocated from time to time for that purpose in Category (1) in the table above; and
(b) Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement.

2. The Closing Date is November 30, 2020.

Section IV. Other Undertakings

A. Counterpart Funds

For purposes of Section 4.03 of the General Conditions, the Recipient shall provide its counterpart funding in the amount of not less than forty thousand Dollars ($40,000) for the period commencing November 2015, fifty thousand Dollars ($50,000) for the period commencing November 2016, and sixty thousand Dollars ($60,000) for the period commencing November 2017, such funds to partially finance the Premia.
SCHEDULE 3

Repayment Schedule

<table>
<thead>
<tr>
<th>Date Payment Due</th>
<th>Principal Amount of the Credit repayable (expressed as a percentage)*</th>
</tr>
</thead>
<tbody>
<tr>
<td>On each March 15 and September 15</td>
<td></td>
</tr>
<tr>
<td>commencing September 15, 2025 to and including March 15, 2035</td>
<td>1%</td>
</tr>
<tr>
<td>commencing September 15, 2035 to and including March 15, 2055</td>
<td>2%</td>
</tr>
</tbody>
</table>

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.
APPENDIX

Section I. Definitions


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

3. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010, with the modifications set forth in Section II of this Appendix.

4. “Pacific Island Forum Secretariat” or “PIFS” means the inter-governmental organization established in 1971 pursuant to the Agreement Establishing the Pacific Islands Forum.

5. “Participating Countries” means the Independent of State of Samoa, the Republic of Vanuatu, the Republic of the Marshall Islands and the Kingdom of Tonga, and any other countries that may join the Program.

6. “Premia” means such amounts as may be payable by the Recipient to the World Bank from time to time in consideration for the entry into a Risk Transfer Agreement.

7. “Program” means the Pacific Resilience Program (PREP), which is a ‘Series of Projects,’ to be financed by the Association and other donors, designed to strengthen early warning, resilient investments and financial protection of Participating Countries.

8. “Regional Steering Committee” means the committee to be established within the PIFS.

9. “Results Framework” means the Recipient’s framework, dated April 30, 2015, setting forth the indicators and targets for purposes of monitoring and evaluation of the Project, as the same may be modified from time to time with the prior written concurrence of the Association, and such term includes any annexes, appendices, or schedules to such framework.

10. “Secretariat of the Pacific Community” or “SPC” means inter-governmental organization established pursuant to the Canberra Agreement of 1947 (establishing the South Pacific Commission, as the Recipient was previously called).
11.

Section II. Modifications to the General Conditions

The modifications to the General Conditions are as follows:

1. Section 6.02 (b) and (g) of the General Conditions is modified to read as follows:

   "(b) Performance Failure.

   (i) The Recipient has failed to perform any other obligation under the Financing Agreement, any Derivatives Agreement or any IDA Risk Transfer Agreement.

   (ii) The Project Implementing Entity has failed to perform any obligation under the Project Agreement."

   "(g) Misrepresentation. A representation made by the Recipient in or pursuant to the Financing Agreement, a Derivatives Agreement, an IDA Risk Transfer Agreement or any representation or statement furnished by the Recipient and intended to be relied upon by the Association in making the Financing or executing a transaction under a Derivatives Agreement or an IDA Risk Transfer Agreement, was incorrect in any material respect."

2. Section 6.06 (b) of the General Conditions is modified to read as follows:

   "(b) Performance Default.

   (i) A default has occurred in the performance by the Recipient of any other obligation under the Financing Agreement, any Derivatives Agreement or any IDA Risk Transfer Agreement and such default continues for a period of sixty days after the notice of such default has been given by the Association to the Recipient.

   (ii) A default has occurred in the performance by the Project Implementing Entity of any obligation under the Project Agreement and such default continues for a period of sixty days after the notice of such default has been given by the Association to the Project Implementing Entity and the Recipient."

3. The following new definitions are inserted in the Appendix to the General Conditions as paragraphs 61 to 63:
“61. “Derivatives Agreement” means any derivatives agreement entered into between the Recipient and the Association for the purpose of documenting and confirming one or more derivatives transactions between the Recipient and the Association, as such agreement may be amended from time to time. Derivatives Agreement includes all schedules, annexes and agreements supplemental to the Derivatives Agreement.

62. “IDA Risk Transfer Agreement” means a Risk Transfer Agreement entered into between the Recipient and the Association.

63. “Risk Transfer Agreement” means any contingent disaster risk financing or transfer agreement (including, without limitation, Derivatives Agreements, insurance contracts or similar instruments) entered into between the Recipient and the Association [or any third party] for the purpose of hedging the Recipient's exposure to natural disaster risks.”