



**THE
WORLD
BANK**

Level 19, 14 Martin Place
CML Building
SYDNEY NSW 2000
AUSTRALIA
Telephone (61-2) 9223 7773
Fax (61-2) 9235 6593

CONFORMED COPY

February 28, 2011

Honorable Natan Teewe
Ministry of Finance and Economic Development
P.O.Box 67,
Bairiki, Tarawa
REPUBLIC OF KIRIBATI

Dear Minister,

**Re: Fourth Amendment to Australian Grant for Co-financing
Kiribati Adaptation Project – Phase II
(Grant No. TF056115)**

We refer to the Grant Agreement dated June 13, 2006 between the International Development Association (the “Association”) and the Republic of Kiribati (the “Recipient”), as lastly amended by letter dated July 21, 2010, pursuant to which the Association as administrator of grant funds provided by Australia, made a grant in the amount not exceeding two million eight hundred forty two thousand Australian Dollars (AUS\$ 2,842,000, the “Initial Grant”) to the Recipient for the KAP II Project (TF056115).

The Association proposes to make available to the Recipient an additional grant (“Additional Grant”) for the KAP II project in the amount not exceeding five hundred thirty nine thousand Australian Dollars (AUS\$539,000), such that the total grant for the KAP II Project shall be an amount not exceeding three million three hundred eighty one thousand Australia Dollars (AUS\$3,381,000). Therefore, we propose to amend the Grant Agreement to reflect the Additional Grant as set forth in the Attachment to this letter.

Additionally, in line with the understandings reached between the Recipient and the Association, the Association agrees to amend the Grant Agreement so as to reflect a clarification of Eligible Expenditures and revised activities, as also set forth in the Attachment to this letter (Amendment No. 4).

All capitalized terms used in this amendment letter have the same meanings assigned to them in the Grant Agreement. All the terms of the Grant Agreement not hereby amended shall remain in full force and effect.

Please confirm your agreement to the amendment proposed above by signing and dating the form of confirmation on the enclosed two copies of this amendment letter and returning one original to us. The amendments set forth in the attachment to this Letter shall be effective as of the date of countersignature by the Recipient.

Sincerely,

By/s/ Ferid Belhaj

Ferid Belhaj
Country Director
Timor-Leste, Papua New Guinea
and Pacific Islands
East Asia and Pacific Region

AGREED
REPUBLIC OF KIRIBATI

By/s/ Natan Teewe

Name: Honorable Natan Teewe
Title: Minister of Finance and Economic Development
Date: 04/03/11

ATTACHMENT

**Australian Grant for Co-financing the
Kiribati Adaptation Project Phase II (KAP II Project)
Grant Number TF056115
(4th amendment)**

1. The table in Section 4.2 in the Annex of the Grant Agreement is hereby amended to read as follows:

<u>Category</u>	<u>Amount of the Grant allocated in Australian Dollars</u>	<u>% of Expenditures to be financed</u>
(1) Goods, works and consultants' services under Parts 1.1(a), 1.1(b) and 1.1 (d) of the Annex to the Letter Agreement	3,096,800	100%
(2) Goods, works, consultants' services and Incremental Operating Costs*) under Parts 1.1(c) of the Annex to the Letter	284,200	100%

TOTAL	3,381,000	

*) For the purposes of this paragraph 4.2 the term “Incremental Operation Costs” shall be deemed to cover the cost of the reasonable expenses incurred on account of Project implementation, support and management, which would not have been incurred absent the Project, including communications, utilities, stationary, transportation costs, accommodation and travel allowances of Project staff, but excluding salaries of the Recipient’s civil servants prior to the date of countersignature of this letter but on or after June 13, 2006.

2. The first sentence of Section 1.1. of the Annex to the Australia Letter Agreement is deleted in its entirety and replaced with the following:

“1.1. The purpose of the Grant is to assist the recipient in the implementation of the Kiribati Adaptation project – Implementation Phase (KAP-II) (the Project), by co-financing the Freshwater, Coastal Protection and project management Components of the Project, which would help in the development and management of freshwater resources to reduce their vulnerability to climate change variability and climate change in Kiribati. “

3. A new paragraph 1(d) is added to the Annex to the Australia Letter Agreement, that reads as follows:

“(d) Land Use, Physical Structures and Ecosystems

Improving protection of public assets: (i) building capacity at Ministry of Public Works and Utilities (MPWU) to develop a systematic risk analysis and design response process and revised design parameters for coastal hazard protection; and (ii) applying such parameters for selected public assets in South Tarawa, in each case taking into consideration climate change adaptation.”.