Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund
Grant Agreement

(PCRAFI: Furthering Disaster Risk Finance in the Pacific Project)

between

PACIFIC CATASTROPHE RISK INSURANCE COMPANY

And

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT
INTERNATIONAL DEVELOPMENT ASSOCIATION

acting as Administrator of the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund

Dated 16th February, 2017
PCRAFI GRANT NUMBER TF A4171

PACIFIC CATASTROPHE RISK ASSESSMENT AND FINANCING
INITIATIVE MULTI-DONOR TRUST FUND
GRANT AGREEMENT

AGREEMENT dated 16th February 2017, entered into between
PACIFIC CATASTROPHE RISK INSURANCE COMPANY ("Recipient" or
"PCRIC"), a company established pursuant to the Pacific Catastrophe Risk Insurance
Facility Act 2016 of the Cook Islands, and INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL
DEVELOPMENT ASSOCIATION ("World Bank"), acting as administrator of the
Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund
("Trust Fund").

WHEREAS in response to the request for financial assistance to support the Project
(as hereinafter defined), the World Bank, acting as administrator of the Trust Fund, has
agreed to make available grants from the Trust Fund to the Recipient, the Foundation (as
hereinafter defined), the Secretariat of the Pacific Community and the Pacific Islands Forum
Secretariat to assist in the financing of the Project, all pursuant to the terms and conditions
set forth in the grant agreements to be entered into between the World Bank and the
respective entities; and

WHEREAS in furtherance of the foregoing, the World Bank, acting as administrator
of the Trust Fund, has agreed to make available a grant to the Recipient from the Trust Fund,
pursuant to terms and conditions set forth this Agreement.

NOW, THEREFORE, the Recipient and the World Bank hereby agree as follows:

Article I - Standard Conditions; Definitions

1.01. The Standard Conditions, with the modifications set forth in Section I of 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 Standard Conditions or in this
Agreement.

Article II - The Project

2.01. The Recipient declares its commitment to the objectives of the project described
in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry
out the Respective Parts of the Project in accordance with the provisions of Article
II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and
except as the Recipient and the World Bank shall otherwise agree, the Recipient
shall ensure that the Respective Parts of the Project are carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III - The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount not to exceed twenty five million three hundred thirty thousand United States Dollars ($25,330,000) ("Grant") to assist in financing of Parts 1, 2(b), 4(a) and 5 of the Project (collectively, "Respective Parts of the Project").

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

3.03. The Grant is funded out of the abovementioned Trust Fund for which the World Bank receives periodic contributions from the donors to the trust fund. In accordance with Section 3.02 of the Standard Conditions, 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 Grant proceeds is subject to the availability of such funds.

Article IV - Additional Remedies

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

(a) Any of the Legislation has been amended, suspended, terminated, supplemented, replaced, 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) The Establishment Documents of the Foundation and/or the Establishment Documents of the PCRIC have been amended, suspended, terminated, supplemented, replaced, 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.

(c) The Foundation has taken such action, or failed to perform any obligations under the Foundation Grant Agreement, that has the effect of materially and adversely, in the opinion of the World Bank, the ability of the Recipient to perform any of its obligations under this Agreement.

Article V - Effectiveness

5.01. This Agreement shall not become effective until evidence satisfactory to the World Bank has been furnished to the World Bank that the conditions specified below have been satisfied.
(a) The execution and delivery of this Agreement on behalf of the Recipient has been duly authorized by all necessary corporate actions.

(b) The Foundation Grant Agreement has been executed and delivered by the Foundation and all conditions precedent to its effectiveness or to the right of the Foundation to make withdrawals under it have been fulfilled.

5.02 As part of the evidence to be furnished pursuant to Section 5.01(a), there shall be furnished to the World Bank an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank showing that: on behalf of the Recipient, that this Agreement has been duly authorized or ratified by, and executed and delivered on its behalf and is legally binding upon it in accordance with its terms.

5.03 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 evidences required pursuant to Section 5.01 ("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.

5.04 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 one hundred and twenty (120) 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 VI - Recipient’s Representative; Addresses

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Resident Director of the Recipient.

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

Bermuda House
Tutakimoa Road
Avarua
Rarotonga
Cook Islands

Facsimile:
(682) 23385
6.03. 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

AGREED at ___________, __________, as of the day and year first above written.

PACIFIC CATASTROPHE RISK INSURANCE COMPANY

By

[Signature]
Authorized Representative

Name: Garth Haddadin
Title: Interim Director

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT and INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as Administrator of the Pacific Catastrophe Risk Assessment and Financing Initiative Multi-Donor Trust Fund

By

[Signature]
Authorized Representative

Name: Mona Sur
Title: Acting Country Director
SCHEDULE 1
Project Description

The objective of the Project is to improve access to post-disaster rapid response finance for Pacific Island Countries.

The Project consists of the following parts:

Part 1. Establishment and Operationalization of the PCRIC and the Foundation

Carrying out a program of activities to provide technical and financial support for the establishment and operations of the PCRIC and the Foundation, in order for PCRIC to provide disaster and climate-related risk insurance for the Pacific Island Countries and improve affordability of high quality sovereign catastrophe risk transfer associated with earthquakes and climate-related events, which shall include, but not limited to, financing of the professional service fees, registration fees, audit costs, executive recruitment firm and other related fees.

Part 2. Capitalization of the PCRIC

Carrying out a program of activities to:

(a) Support the capitalization of the PCRIC through the provision of financing to the Foundation for reimbursement of payments for its subscription of PCRIC shares.

(b) Support the capitalization of PCRIC through the provision of Capitalization Funds to the PCRIC in phases, conditional on the actuarial business needs of the PCRIC, to enable the PCRIC to (i) earn income on the Capitalization Funds to finance its operations, (ii) make Insurance Payouts rapidly and be partially reimbursed by the reinsurers and (iii) retain and manage a portion of the risks while the rest is passed to the reinsurance markets.

Part 3. Institutional Capacity Building on Disaster Risk Financing and Insurance

Carrying out a program of activities to:

(a) Strengthen the institutional capacity of the PCRIC, the national and regional level organizations and the relevant ministries of the Pacific Island Countries on disaster risk financing and insurance, including provision of trainings on (i) post-disaster public financial management and post disaster budget execution, mobilization and reporting and (ii) hazard exposure database which underpins the parametric insurance model.

(b) Strengthen the institutional capacity of the PCRIC, the national and regional level organizations and the relevant ministries of the Pacific Island Countries on disaster risk financing and insurance, including convening of regional workshops and forums for (i) promoting peer to peer learning exchange, (ii) engaging high-level dialogue on disaster risk financing solutions and (iii) ensuring regional representation at global events on disaster risk finance.
Part 4. Development of Disaster Risk Insurance Products

Carrying out a program of activities to:

(a) develop, refine and implement geophysical and climate-related risk insurance products, including: (i) parametric geophysical insurance to support the PCRIC to design and/or modify insurance products to provide coverage against major geophysical events and associated sub-hazards; (ii) parametric climatic insurance to support the PCRIC to design and/or modify insurance products to provide coverage against major hydro-meteorological events and associated sub-hazards; and (iii) mutual disaster risk insurance to support the PCRIC to design mutual disaster risk insurance products, such as hybrid disaster risk insurance product to cover medium sized disasters.

(b) Update the hazard and exposure database which underpins the insurance transaction.

Part 5. Monitoring and Evaluation

Carrying out a program of activities for monitoring the Insurance Payout process, the budget execution process, ex-post reporting on the use of funds, and the overall monitoring and evaluation of the Project activities.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and Other Arrangements

1. The Recipient shall, at all times during the implementation of the Project, maintain qualified and experienced management and staff in adequate numbers, with terms of reference, staffing and resources satisfactory to the World Bank for the purpose of carrying out the Project.

2. Without limitation upon the foregoing provisions in paragraph 1 above, the Recipient shall:

   (a) at all times during the implementation of the Project, maintain an insurance manager, with terms of reference, staffing and resources satisfactory to the World Bank for the purpose of carrying out the Project; and

   (b) by no later than November 1, 2017, complete the appointment of a chief executive officer, with terms of reference, staffing and resources satisfactory to the World Bank for the purpose of carrying out the Project, and thereafter maintain such position throughout the implementation of the Project.

3. The Recipient shall:

   (a) maintain at all times during the implementation of the Project, the Captive Insurance License required for it to undertake captive insurance business under the Cook Islands law;

   (b) promptly notify the World Bank in the event the Captive Insurance License issued to it have been amended, suspended, terminated, supplemented, replaced, abrogated, repealed or waived; and

   (c) not engage, without prior written consent of the World Bank, in any business not permitted under the Captive Insurance License.

4. The Recipient shall, at all times during the implementation of the Project, comply with any applicable law, rule or regulation of the jurisdiction where it is incorporated, which is binding upon the Recipient.

5. The Recipient shall, at all times during the implementation of the Project, promptly notify the World Bank in the event:

   (a) there is any change to the appointments of its interim board of directors, board of directors and/or trustee company by the Foundation;

   (b) any of the Legislation has been amended, suspended, terminated, supplemented, replaced, abrogated, repealed or waived so as to affect the
ability of the Recipient to perform any of its obligations under this Agreement; or

(c) it becomes aware that the Foundation is considering changes to the objectives, organizational structure, governance or ownership of the Foundation and/or the Recipient, including changes to the share capital of the Recipient and amending or restating the Establishment Documents of the Foundation and/or the Establishment Documents of the PCRIC, if such action, change, amendment or restatement has or is reasonably likely to have a material adverse effect on the ability of the Foundation and/or the Recipient to carry out its obligations under the Project, or any interests of the World Bank or Pacific Island Countries.

B Anti-Corruption

1. The Recipient shall ensure that the Respective Parts of the Project are carried out in accordance with the provisions of the Anti-Corruption Guidelines.

C. Safeguards

1. The Recipient shall ensure that the terms of reference for any consultancies related to studies, assessments, regulations, technical guidelines, training and technical assistance activities under the Respective Parts of the Project shall be satisfactory to the World Bank and, to that end, such terms of reference shall, inter alia, duly incorporate the requirements of the World Bank’s safeguard policies then in force, as applied to the advice conveyed through such studies, assessments, regulations, technical guidelines, training and technical assistance activities.

D. Project Operations Manual

1. The Recipient shall, at all times during the implementation of the Project, implement the Respective Parts of the Project in accordance with the Project Operations Manual, giving details of guidelines and procedures agreed with the World Bank for the implementation, supervision, and monitoring and evaluation of the Project, which shall include, inter alia:

   (a) institutional and staffing arrangements;
   (b) reporting requirements;
   (c) financial and procurement management procedures and audit procedures;
   (d) roles and responsibilities of the Recipient’s board of directors for technical and fiduciary staffing arrangements and cooperation;
   (e) environmental and social safeguard implementation arrangements;
   (f) the criteria, selection and process of investments of the Capitalization Funds by the Recipient;
(g) policies, procedures and forms of contracts to govern the Insurance Payouts, including, *inter alia*, forms of the Insurance Contracts and the Reinsurance Contracts;

(h) agreement on the administration and use of funds transferred under this Agreement to the Recipient upon the winding up or dissolution of the Recipient and/or the Foundation;

(i) performance and results indicators for the Insurance Payouts and overall Project activities; and

(j) protocols for monitoring results indicators.

2. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive, or permit to be assigned, amended, abrogated, or waived the Project Operations Manual or any provision thereof.

3. In case of any discrepancies between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

E. **Use of Capitalization Funds**

1. In the event the Capitalization Funds are used to meet the costs of Insurance Payouts, the Recipient shall: (i) promptly agree with the World Bank on a financial strategy to replenish and maintain the Capitalization Funds at the original amount provided by the World Bank; and (ii) ensure that such replenishment of the Capitalization Funds is made in accordance with the terms and timeline set forth in the financial strategy agreed with the World Bank.

2. The Recipient shall, at all times during the implementation of the Project:

(a) maintain the Insurance Contracts and the Reinsurance Contracts, under terms and conditions acceptable to the World Bank, to ensure adequate and efficient Insurance Payouts to the Pacific Island Countries;

(b) exercise its rights and carry out its obligations under the Insurance Contracts and the Reinsurance Contracts in such a manner as to protect the interests of the Recipient, the World Bank and the Pacific Island Countries and to accomplish the purposes of the Project;

(c) except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, fail to enforce or waive any provisions of the Insurance Contracts and/or the Reinsurance Contracts; and

(d) in case of any conflict between the terms of either the Insurance Contracts or the Reinsurance Contracts, and those of this Agreement, the terms of this Agreement shall prevail.
3. In the event the Capitalization Funds are used for investments, the Recipient shall invest the Capitalization Funds in accordance with the criteria, selection and process of investments set forth in the Project Operations Manual.

4. In the event of winding-up or dissolution of the Foundation and/or the Recipient or any balance of the proceeds of the Grant remains with the Recipient as of the Closing Date, the Recipient shall agree with the Foundation Council on the terms and conditions for the use of such remaining balance, which shall be used for the benefit of the Pacific Island Countries.

F. **Business Plan and Budget**

1. The Recipient shall: (i) furnish to the World Bank for review and approval as soon as available, but in any case not later than August 31 of each year, a Business Plan and Budget; and (ii) thereafter ensure that the Respective Parts of the Project is carried out in accordance with such Business Plan and Budget as agreed with the World Bank.

G. **Donor Visibility and Visit**

1. The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donors’ support for the Project.

2. For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, take all measures required on its part to enable the representatives of the Donors to visit any part of the Member Countries’ territories for purposes related to the Project.

Section II. **Project Monitoring, Reporting and Evaluation**

A. **Project Reports; Completion Report**

1. The Recipient shall monitor and evaluate the progress of the Respective Parts of the Project and prepare Project Reports for the Respective Parts of the Project in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

2. 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.
B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. The Recipient shall ensure that interim unaudited financial reports for the Respective Parts of the Project are prepared and furnished to the World Bank not later than forty-five (45) after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Respective Parts of the Project 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 (6) months after the end of such period.

Section III. Procurement

1. All goods, non-consulting services and consulting services required for the Respective Parts of 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 the Procurement Regulations, and the provisions of the Procurement Plan.

Section IV. Withdrawal of Grant Proceeds

A. General

1. The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) Article III of 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 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 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 USD)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, consulting services, non-consulting services, Training and Operating Costs for Parts 1, 4(a) and 5 of the Project</td>
<td>5,330,000</td>
<td>100%</td>
</tr>
<tr>
<td>(2) Capitalization Funds phase I</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Capitalization Funds phase II</td>
<td>14,000,000</td>
<td>100%</td>
</tr>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>$25,330,000</strong></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) under Category (3) unless and until the World Bank has approved the Business Plan and Budget due to be submitted by the Recipient to the World Bank by no later than August 31, 2017, pursuant to Section L.F.1 of Schedule 2 to this Agreement.

2. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2021.
APPENDIX

Section I. Definitions

(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 and as of July 1, 2016.

(b) "Business Plan and Budget" means the detailed annual business plan and budget for the Project, which shall include the analysis on the actuarial business needs of the Recipient, for each subsequent fiscal year of Project implementation, prepared by the Recipient for review and approval by the World Bank, in form and of such scope and detail as the World Bank shall have reasonably requested, referred to in Section I.F.1 of Schedule 2 to this Agreement.

(c) "Capitalization Funds" means the funds to be provided to the Recipient to support its capitalization in accordance with Part 2(b) of the Project.

(d) "Captive Insurance License" means License No. C102/2016 in effect from September 22, 2016 and issued to the PCRIC to carry out captive insurance business pursuant to the Captive Insurance Act 2013 of the Cook Islands.

(e) "Constitution of PCRIC" means the Constitution of the Pacific Catastrophe Risk Insurance Company, prepared in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands and approved by the Foundation Council on October 5, 2016, as may be amended from time to time in accordance with its terms.

(f) "Establishment Documents of the Foundation" means the regulations, rules, instruments, contracts, agreements, licenses and certificates thereto, which shall establish, operationalize and govern the Foundation, which shall include, but not limited to, the Foundation Rules.

(g) "Establishment Documents of the PCRIC" means the regulations, rules, instruments, contracts, agreements, licenses and certificates thereto, which shall establish, operationalize and govern the Recipient, which shall include, but not limited to, the Constitution of PCRIC and the Captive Insurance License.

(h) "Foundation" means the Pacific Catastrophe Risk Insurance Foundation, a statutory foundation established pursuant to the Pacific Catastrophe Insurance Facility Act 2016 of the Cook Islands.

(i) "Foundation Council" means the council of the Foundation established to conduct the Foundation's affairs, with functions and compositions as set forth in the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands and the Foundation Rules.
(j) "Foundation Grant Agreement" means the letter agreement between the Foundation and the World Bank for the Project, as such letter agreement may be amended from time to time.

(k) "Foundation Rules" means the Foundation Rules of the Pacific Catastrophe Risk Insurance Foundation, prepared in accordance with the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands and adopted by the Foundation Council on October 5, 2016, as may be amended from time to time in accordance with its terms.

(l) "Insurance Contract" means the agreement entered into between the Recipient and a Pacific Island Country, for insurance coverage of any disaster and climate-related event as specified in such agreement.

(m) "Insurance Payout" means any payment made by the Recipient to a Pacific Island Country from the proceeds of the Capitalization Funds, pursuant to an Insurance Contract.

(n) "Legislation" means the Pacific Catastrophe Risk Insurance Facility Act 2016 of the Cook Islands, the Captive Insurance Act 2013 of the Cook Islands and the International Companies Act 1981-82 of the Cook Islands, including any regulations made thereunder.

(o) "Operating Costs" means expenses reasonably incurred by the Recipient for the day-to-day management, coordination, administration and supervision of Project activities, including leasing and/or routine repair and maintenance of equipment, facilities and office premises, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), transportation, printing and photocopying expenses, bank charges, brokerage, publications and advertising expenses, insurance, captive insurance license fees, registration fees, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, and salaries of Recipient's staff as may be approved by the World Bank.

(p) "Pacific Island Country" means the Cook Islands, the Republic of Marshall Islands, the Independent State of Samoa, the Kingdom of Tonga, the Republic of Vanuatu and any other countries that may become members of the Foundation Council and as agreed in writing with the World Bank, in whose respective territories the Project is carried out; and "Pacific Island Countries" refers to all the aforementioned countries.

(q) "Procurement Plan" means the Recipient's procurement plan for the Project, dated January 19, 2017, and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.

(r) "Procurement Regulations" means the "World Bank Procurement Regulations for Borrowers under Investment Project Financing", dated July 1, 2016.

(s) "Project Operations Manual" means the Project operations manual prepared and adopted by the Recipient, in form and substance acceptable to the World Bank,
referred to in Section 1.D of Schedule 2 to this Agreement, 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 manual.

c) "Reinsurance Contract" means the agreement entered into between the Recipient
and a re-insurer to purchase reinsurance for covering the partial payments of the
Insurance Payout(s).

u) "Standard Conditions" means the Standard Conditions for Grants Made by the

v) "Training" means the reasonable costs of goods and services required for training
activities and workshops under the Project, including travel and subsistence costs
for training or workshop participants, costs associated with securing the services
of trainers, rental of training and workshop facilities, preparation and reproduction
of training and workshop materials, and other costs directly related to training
course or workshop preparation and implementation, including international
training and study tours.

Section II. Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. The provisions of Section 2.07(a) of the Standard Conditions are hereby modified
to read as follows:

"(a) a financial management system is maintained and financial statements
("Financial Statements") are prepared in accordance with consistently applied
accounting standards acceptable to the World Bank, both in a manner adequate to
reflect the operations and financial condition of the Recipient, including the
operations, resources and expenditures related to the Project."

2. The provisions of Sections 4.02(d) and (h) of the Standard Conditions are deleted
in their entirety.

3. For the purposes of this Agreement, the term "Member Country" defined in
paragraph 17 of the Appendix to the Standard Conditions is modified to read as
follows:

"17. "Member Country" means each of the following: the Republic of Fiji, the
Republic of Marshall Islands, the Independent State of Samoa, the Kingdom of
Tonga, the Republic of Vanuatu and any other countries as agreed in writing with
the World Bank, in whose respective territories the Project is carried out; "Member
Countries" refers to all the aforementioned countries; and solely for the purposes
of the Standard Conditions, whenever the term "Member Country" or "Member
Countries" is used in the Standard Conditions, it shall be read to include the Cook
Islands, and if agreed in writing by the World Bank, Niue, self-governing
territories in free association with New Zealand."
4. For the purposes of this Agreement and unless the context requires otherwise, the term "Project" defined in paragraph 18 of the Appendix to the Standard Conditions is modified to read as follows:

"18. "Project" means the part(s) of the Project specified in the Grant Agreement to be carried out by the Recipient, for which the Grant is made, as the description of such project may be amended from time to time by agreement between the Recipient and the World Bank."