European Union
Grant Agreement

(Increasing Resilience to Climate Change and Natural Hazards Project)

between

REPUBLIC OF VANUATU

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT

acting as
an Administrator of grant funds provided by the European Union

Dated 12 July, 2013
EU GRANT NUMBER TF013869

EUROPEAN UNION
GRANT AGREEMENT

AGREEMENT dated 12th July, 2013, entered into between:
REPUBLIC OF VANUATU ("Recipient"); and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("World Bank"), acting as an administrator of trust funds provided by the European Union ("Donor").

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions


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: (a) Components 1.1, 1.3 and 2.1 of the Project through VMGD, (b) Component 1.2 of the Project through NDMO, (c) Component 2.2 of the Project through DLA, (d) Component 3.2 of the Project through DARD, and (e) Component 4 of the Project through DGMWR; and cause Component 3.1 of the Project to be carried out by VARTC ("Project Implementing Entity"); all in accordance with the provisions of Article II of the Standard Conditions and the agreement dated the same date as this Agreement between the World Bank and the Project Implementing Entity, as such agreement may be amended from time to time ("EU Project Agreement").

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 Project is 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 of nine hundred twenty three thousand two hundred and fifty seven Euros (EUR 923,257.00) ("Grant") to assist in financing 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 donor 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 donor 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) The Recipient has taken or permitted to be taken any action which would prevent or interfere with the performance by the Project Implementing Entity or any of its obligations under the EU Project Agreement and the Subsidiary Agreement.

(b) The Project Implementing Entity has failed to perform any obligation under the EU Project Agreement or the Subsidiary Agreement.

(c) IBRD or IDA has declared the Project Implementing Entity ineligible to receive proceeds of any financing made by IBRD or IDA, or otherwise to participate in the preparation or implementation of any project financed in whole or in part by IBRD or IDA (including as administrator of funds provided by another financier), as a result of: (i) a determination by IBRD or IDA that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of any financing made by IBRD or IDA; and/or (ii) a declaration by another financier that the Project Implementing Entity is ineligible to receive proceeds of financings made by such financier or otherwise to participate in the preparation or implementation of any project financed in whole or in part by such financier as a result of a determination by such
financier that the Project Implementing Entity has engaged in fraudulent, corrupt, coercive or collusive practices in connection with the use of the proceeds of a financing made by such financier.

(d) As a result of events which have occurred after the date of this Agreement, an extraordinary situation has arisen which makes it improbable that the Project Implementing Entity will be able to perform its obligations under the EU Project Agreement or the Subsidiary Agreement.

(e) The VARTC Act No. 15 of 2002 (Act No. 15) pursuant to which the Project Implementing Entity has been established and is operating has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Project Implementing Entity to perform any of its obligations under the EU Project Agreement or the Subsidiary Agreement.

(f) (i) The Co-financing Agreement providing for financing in an amount approximately equal to five million five hundred and eighty thousand United States Dollars ($5,580,000USD) (“Co-financing”) to assist in financing the Project, has failed to become effective by June 30, 2013, or such later date as the World Bank has established by notice to the Recipient; provided, however, that the provisions of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that adequate funds for the Project are available from other sources on terms and conditions consistent with its obligations under this Agreement. 
(ii) Subject to sub-paragraph (iii) of this paragraph: (A) the right to withdraw the proceeds of the Co-financing has been suspended, canceled or terminated in whole or in part, pursuant to the terms of the Co-financing Agreement; or (B) the Co-financing has become due and payable prior to its agreed maturity. (iii) Sub-paragraph (ii) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the World Bank that: (A) such suspension, cancellation, termination or pre-maturing was not caused by the failure of the recipient of the Co-financing to perform any of its obligations under the Co-financing Agreement; and (B) adequate funds for the Project are available from other sources on terms and conditions consistent with the Recipient’s obligations under this Agreement.

(g) The World Bank has determined after the Effective Date referred to in Section 5.03 of this Agreement that prior to such date but after the date of this Agreement, an event has occurred which would have entitled the World Bank to suspend the Recipient’s right to make withdrawals from the Grant Account if this Agreement had been effective on the date such event occurred.
The Recipient has failed to make payments on any IDA Credits.

Article V
Effectiveness; Termination

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 and the EU Project Agreement on behalf of the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.

(b) The execution and delivery of the Subsidiary Agreement on behalf of the Recipient and the Project Implementing Entity have been duly authorized or ratified by all necessary governmental and corporate action.

(c) If the World Bank so requests, the condition of the Project Implementing Entity, as represented or warranted to the World Bank at the date of the EU Project Agreement, has undergone no material adverse change after such date.

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 or, if the World Bank so requests, a certificate satisfactory to the World Bank of a competent official of the Member Country, showing the following matters:

(a) on behalf of the Recipient, that this Agreement and the Subsidiary Agreement, respectively, have been duly authorized or ratified by, and executed and delivered on its behalf and are legally binding upon it in accordance with their terms; and

(b) on behalf of the Project Implementing Entity, that the EU Project Agreement and the Subsidiary Agreement have been duly authorized or ratified by, and executed and delivered on its behalf and are legally binding upon it in accordance with their 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 evidence 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 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 VI**

**Recipient’s Representative; Addresses**

6.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister of Finance and Economic Management.

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

Ministry of Finance and Economic Management
Privat Mail Bag 9058
Port Vila
Vanuatu

Facsimile: (678) 27937

6.03. The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

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

Cable: INTBAFRAD
Telex: 248423 (MCI) or 64145 (MCI)
Facsimile: 1-202-477-6391
AGREED at Port Vila, Vanuatu, as of the day and year first above written.

REPUBLIC OF VANUATU

By

Authorized Representative

Name: Hon. MAKI SIMEON, MP

Title: MINISTER OF FINANCE AND ECONOMIC MANAGEMENT

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
acting as an Administrator of grant funds provided by the European Union

By

Authorized Representative

Name: Franz R. Dress-Gross

Title: Country Director
SCHEDULE 1
Project Description

The objective of the Project is to help increase the resilience of communities in the Recipient’s territory to the impacts of climate variability and change and natural hazards on food and water security as well as livelihoods.

The Project consists of the following parts:

Component 1: Institutional Strengthening for Climate Change Adaptation and Disaster Risk Management

Supporting the Recipient to operationalize Project management functions by:

1.1 Strengthening the PMU by building capacity in Project management, procurement, financial management and monitoring and evaluation through: (i) the effective implementation of the Project and of the PHRD Grant; (ii) training for new or additional staff upon their assignment to the PMU; and (iii) the development of Operational Manuals to guide overall PMU operation, Subproject selection, formulation, and implementation.

1.2 Strengthening the NDMO by: (i) reviewing the Recipient’s National Disaster Management Act; (ii) developing a strategic plan and organizational structure; (iii) developing the capacity of newly recruited staff; (iv) facilitating learning and twinning with the national disaster management offices of the Solomon Islands and other Pacific Islands countries; (v) establishing fully equipped provincial disaster coordination centers and provincial disaster risk management and climate change adaptation plans in the provinces of Tafea and Torba; and (vi) developing volcano contingency plans for Tanna, Gaua and other high risk volcanic islands.

1.3 Strengthening the Recipient’s Early Warning Systems by: (i) establishing real-time data communication network linking the existing volcano, seismic and weather observing stations with the national data and warning center; and (ii) strengthening multi-hazard standard operating procedures.

Component 2: Increasing Community Resilience on Active Volcanic Islands and in Coastal Areas

Increasing the ability of stakeholders at national, regional and community levels to work together to enhance disaster and climate resilience in rural communities by:

2.1 Developing Strengthened Methods, Processes and Protocols for Climate Change Adaptation and Disaster Risk Management to increase the ability of stakeholders of all levels.
2.2 Enhancing Integrated Community and Ecosystem-based Adaptation and Disaster Risk Management in Coastal Areas and on Active Volcanic Islands by implementing said methods and plans of Component 2.1 through Small Grants to Communities for the financing of pilot community-based activities (Subprojects) designed to reduce vulnerability to climate and weather-related risks, as well as geo-hazards.

Component 3: Promotion of Improved Technologies for Food Crop Production and Resilience to Climate Change

Supporting the Project Implementing Entity and the Recipient to develop approaches, strategies and technologies for adapting to climate change and responding to food security and market demands by:

3.1 Producing and Distributing Improved Plant Genetic Material to: (i) further enrich their gene pool of root and tuber crops (excluding genetically modified crops) under ongoing international collaborative agreements; (ii) enhance the ongoing process of selection and multiplication of superior lines of root and tuber crops providing protection against biological agents, nutrient disorders, and soil erosion which are effects of climate change; and (iii) expand field testing and multiplication of improved cultivars for distribution to farmers, in collaboration with DARD.

3.2 Distributing Improved Plant Material and Agricultural Technologies to Support On-Farm Production and Resilience to Climate Change through: (i) the distribution of improved plant material to farmers in at least five key food crop areas; (ii) the implementation of farmer training and technology delivery systems in at least three key food crop areas; and (iii) the adoption of improved cultivars and technologies by farmers that enhance farm incomes, food security and/or improved resilience to the effects of weather extremes and other impacts of climate change.


Supporting the Recipient to increase access to secure water supply by: (i) completing the national inventory of rural water systems, updating rural water supply standards and guidelines for rural water supply provision, and improving outreach to partners working in the sector; and (ii) installing rainwater catchment and storage systems to supply safe water to rural communities.
SCHEDULE 2

Project Execution

Section I. **Institutional and Other Arrangements**

A. **Institutional Arrangements**

1. The Recipient shall: (i) maintain until the establishment of the National Advisory Board, the National Advisory Committee on Climate Change with functions, terms of reference and membership acceptable to the World Bank and provided at all times with adequate funds and other resources, which shall be responsible for providing oversight of the Project until the establishment of the National Advisory Board; and (ii) at the latest twelve (12) months after the Effective Date or such later date as the World Bank shall notify to the Recipient, establish and thereafter maintain until completion of the Project, the National Advisory Board with functions, terms of reference and membership acceptable to the World Bank and provided at all times with adequate funds and other resources, as further detailed in the Operational Manual which shall be responsible for providing oversight of the Project.

2. The Recipient at the latest three (3) months after the Effective Date or such later date as the World Bank shall notify to the Recipient, shall establish and thereafter maintain within VMGD and until the completion of the Project, the PMU, consisting of qualified staff in sufficient numbers and under terms of reference satisfactory to the World Bank, and provided at all times with adequate funds and other resources as further detailed in the Operational Manual, which shall be responsible for the overall coordination, procurement, implementation, financial management, and monitoring and evaluation of Components 1, 2, 3.2 and 4 of the Project.

3. The Recipient shall cause the Project Implementing Entity to establish at the latest three (3) months after the Effective Date or such later date as the World Bank shall notify to the Project Implementing Entity, and thereafter maintain until the completion of the Project, a management team within VARTC, consisting of qualified staff in sufficient numbers and under terms of reference satisfactory to the World Bank, and provided at all times with adequate funds and other resources as further detailed in the Operational Manual, which shall be responsible for the overall coordination, implementation, financial management, and monitoring and evaluation of Component 3.1 of the Project.

4. The Recipient shall at the latest three (3) months after the Effective Date or such later date as the World Bank shall notify to the Recipient, endorse or cause to endorse, execute or cause to execute and thereafter maintain or cause to maintain the MoAs, all in form and substance satisfactory to the World Bank, as further
detailed in the Operational Manual. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any MoA or any of their respective provisions.

B. Subsidiary Agreement

1. To facilitate the carrying out of Component 3.1 of the Project, the Recipient shall make the proceeds of the Grant allocated from time to time to Category (2) of the table set forth in Section IV.B.2 of this Schedule available to the Project Implementing Entity under the Subsidiary Agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the World Bank.

2. The Recipient shall exercise its rights under the Subsidiary Agreement in such 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 not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

C. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines, including those provisions applicable to the recipient’s grant proceeds other than the Recipient.

D. Subprojects under Component 2.2 of the Project

1. The Recipient shall make Small Grants for Subprojects under Component 2.2 of the Project to Communities and in accordance with eligibility criteria and procedures acceptable to the World Bank, as further detailed in the Small Grant Operational Manual.

2. The Recipient shall make each Small Grant available under the relevant Small Grant Agreement entered with each respective Community, under terms and conditions approved by the World Bank, which shall include the following:

(a) The Small Grant shall be made to the Community as a non-reimbursable transfer of financial resources out of the Grant proceeds, subject to the proviso of subparagraph (b) hereunder.

(b) 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 the Community to use the proceeds of the Grant, or obtain a refund of all or any part of the amount of the Small Grant then withdrawn, upon the Community’s failure to perform any of its
obligations under the Small Grant Agreement; and (ii) require each Community to: (A) carry out its Subproject with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices satisfactory to the World Bank, including in accordance with the provisions of the Small Grant Operational Manual, the Environmental and Social Management Framework (and related plans prepared in accordance with said Environmental and Social Management Framework) and the Anti-Corruption Guidelines applicable to recipients of grant proceeds other than the Recipient; (B) provide, promptly as needed, the resources required for the purpose of the Subproject; (C) procure the goods, works and services to be financed out of the Small Grant in accordance with the provisions of this Agreement; (D) maintain procedures adequate to enable it to monitor and evaluate in accordance with indicators acceptable to the World Bank, the progress of the Subproject and the achievement of its objective; (E) (1) maintain a financial management system and prepare financial statements in accordance with consistently applied accounting standards acceptable to the World Bank, both in a manner adequate to reflect the operations, resources and expenditures related to the Subproject; and (2) at the World Bank’s or the Recipient’s request, have such financial statements audited by independent auditors acceptable to the World Bank, in accordance with consistently applied auditing standards acceptable to the World Bank, and promptly furnish the statements as so audited to the Recipient and the World Bank; (F) enable the Recipient and the World Bank to inspect the Subproject, its operation and any relevant records and documents; and (G) prepare and furnish to the Recipient and the World Bank all such information as the Recipient or the World Bank shall reasonably request relating to the foregoing.

3. The Recipient shall exercise its rights under each Small Grant Agreement in such manner as to protect the interests of the Recipient and the World Bank and to accomplish the purposes of each Subproject Grant. Except as the World Bank shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive any Small Grant Agreement or any of their provisions.

E. Operational Manual, Small Grant Operational Manual and Environmental and Social Management Framework

1. (a) The Recipient shall carry out the Project in accordance with the Operational Manual, the Small Grant Operational Manual, and the Environmental and Social Management Framework.
(b) The Recipient shall ensure that all plans prepared in accordance with the
Environmental and Social Management Framework are carried out in
accordance with their terms.

(c) The Recipient shall not amend the Operational Manual, the Small Grant
Operational Manual or the Environmental and Social Management
Framework without the prior written approval of the World Bank.

2. In the event of any inconsistency between the provisions of either the Operational
Manual, the Small Grant Operational Manual or the Environmental and Social
Management Framework and this Agreement, this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. 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 acceptable to the World Bank and
set forth in the Operational Manual or in the Small Grant Operational Manual.
Each Project Report shall cover the period of one (1) calendar year, 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 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.

3. The Recipient shall have its Financial Statements for 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**

A. **General**

1. **Procurement and Consultant Guidelines.** All goods, works, non-consulting services and consultants’ 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:

   (a) Section I of the Procurement Guidelines in the case of goods, works and non-consulting services, and Sections I and IV of the Consultant Guidelines in the case of consultants’ services; and

   (b) the provisions of this Section III, as the same shall be elaborated in the Procurement Plan.

2. **Definitions.** The capitalized terms used below in 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 Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

B. **Particular Methods of Procurement of Goods, Works and Non-consulting Services**

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.

2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** 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 (subject to the additional procedures described in the Attachment to this Annex); (b) Shopping; and (c) Community Participation procedures which have been found acceptable to the World Bank.

C. **Particular Methods of Procurement of Consultants’ Services**

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants’ services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

2. **Other Methods of Procurement of Consultants’ Services.** The following methods, other than Quality- and Cost-based Selection, may be used for
procurement of consultants' services for those assignments which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Selection of Individual Consultants; and (f) Single-source procedures for the Selection of Individual Consultants.

D. 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.

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 Euros)</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,</td>
<td>225,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training, and Operating Costs under Components 1, 2.1, 3.2 and 4 of the</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consultants' services,</td>
<td>450,000</td>
<td>100%</td>
</tr>
<tr>
<td>Training and Operating Costs under Component 3.1 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(3) Goods, works and consulting services for Small Grants under Component</td>
<td>248,257</td>
<td>100%</td>
</tr>
<tr>
<td>2.2 of the Project</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL AMOUNT</td>
<td>923,257</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) for payments made prior to the date of this Agreement; and

   (b) under Category (2) for payments made by the Project Implementing Entity until the World Bank shall have notified the Recipient and the Project Implementing Entity of its receipt of: (i) a copy of the Subsidiary Agreement entered into between the Recipient and the Project Implementing Entity, satisfactory to the World Bank and in accordance with the provisions of Section 1.B of Schedule 2 to this Agreement; and (ii) an opinion or opinions satisfactory to the World Bank of counsel acceptable to the World Bank or, if the World Bank so requests, a
(c) under Category (3) for payments made for Small Grants for Subprojects until the World Bank shall have notified the Recipient of its receipt of: (i) a copy of the Small Grant Operational Manual prepared in accordance with the provisions of Section I.D of Schedule 2 to this Agreement; and (ii) at least one executed Small Grant Agreement; both in form and substance satisfactory to the World Bank.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is May 30, 2014.
Attachment to Annex
National Competitive Bidding Procedures

The procurement procedure to be followed for National Competitive Bidding shall be the Open and Competitive Bidding procedure set forth in the Government Contracts and Tenders Act [CAP 245], Chapter 245 of Laws of the Republic of Vanuatu, Consolidated Edition 2006, and Tenders Regulation Order No.40 of 1999 issued by Ministry of Finance and Economic Management, provided, however, that such procedure shall be subject to the provisions of Section I and Paragraphs 3.3 and 3.4 of the "Guidelines for Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers" (January 2011) (the "Procurement Guidelines") and the following additional provisions:

Eligibility

1. Eligibility to participate in a procurement process for and to be awarded a Bank financed contract shall be as defined under Section I of the Procurement Guidelines; accordingly, no bidder or potential bidder shall be declared ineligible for contracts financed by the Bank for reasons other than those provided in Section I of the Procurement Guidelines. Foreign bidders shall be eligible to participate in bidding under the same conditions as national bidders. No domestic preference shall be granted in bid evaluation on the basis of bidder's nationality, origin of goods or services, and/or preferential programs.

Advertising; time for bid preparation

2. Invitations for bids shall be advertised in the local press of national coverage or the official gazette or on a widely used website or electronic portal with free national and international access. The Invitations for Bids shall contain at least the following information: nature of works, procurement methods, duration of works, the date for submission and opening of bids, the address of the entity awarding the contract and for asking clarifications, qualification and technical requirements, amount of bids security. Prospective bidders shall be given at least thirty (30) days from the date of publication of the invitation to bids or the date of availability of the bidding documents, whichever is later, to prepare and submit bids.

Standard bidding documents

3. Bidding documents acceptable to the Bank shall be used, and shall be prepared so as to ensure economy, efficiency, transparency, and broad consistency with the provisions of Section I and Paragraphs 3.3 and 3.4 of the Procurement Guidelines.
Registration of contractors

4. Registration shall not be used to assess bidders' qualifications. A foreign bidder shall not be required to register as a condition for submitting its bid, and a foreign bidder recommended for contract award shall be given a reasonable opportunity to register, with the reasonable cooperation of the Employer, prior to contract signing.

Bid Submission, Bid Opening and Bid Evaluation

5. Bidders may submit bids, at their option, either in person or by courier service or by mail. All bidding for works shall be carried out through a one-envelope procedure. Bids shall be opened in public, immediately after the deadline for submission of bids. A copy of the bid opening minutes shall be promptly provided to all bidders who submitted bids and to the Bank, with respect to the contracts subject to prior review. Evaluation of bids shall be made in strict adherence to the evaluation criteria specified in the bidding documents. Evaluation criteria other than price shall be quantified in monetary terms.Merit points shall not be used, and no minimum point or percentage value shall be assigned to the significance of price, in bid evaluation. A bidder shall not be eliminated from detailed evaluation on the basis of minor, non-substantial deviations.

6. All bidders shall be required to provide security in an amount sufficient to protect the Employer in case of breach of contract by the contractor/supplier, and the bidding documents shall specify the required form and amount of such security. In place of a bid security, the bidding documents may require that a bidder submits with its bid a signed declaration accepting that if the bidder withdraws or modify its bid during the bid validity period or, if awarded the contract, the bidder fails to sign the contract or submit any required performance security before the deadline required in the bidding documents, the bidder will be suspended for the period of time specified in the bidding documents from being eligible to bid for any contract with the entity that invited bids.

7. Qualification criteria shall be clearly specified in the bidding documents. All criteria so specified, and only such specified criteria, shall be used to determine whether a bidder is qualified. Qualification shall be assessed on a "pass or fail" basis, and merit points shall not be used. Such assessment shall be based entirely upon the bidder's or prospective bidder's capability and resources to effectively perform the contract, taking into account objective and measurable factors, including: (i) relevant general and specific experience, and satisfactory past performance and successful completion of similar contracts over a given period; (ii) financial position; and where relevant (iii) capability of construction and/or manufacturing facilities.

8. In the procurement of works where pre-qualification is not used, the qualification of the bidder who is recommended for award of contract shall be assessed by post qualification, applying the qualification criteria stated in the bidding documents.
9. No bids shall be rejected solely on the basis of comparison with the cost estimates without the Bank’s prior written concurrence.

10. Each contract shall be awarded within the period of the validity of bids to the lowest evaluated responsive bidder, that is, the bidder, who meets the appropriate standards of capability and resources and whose bid has been determined; (i) to be substantially responsive to the bidding documents; and (ii) to offer the lowest evaluated cost. No negotiations shall be permitted. A bidder shall neither be required nor permitted, as a condition of award, to undertake responsibilities for the works/goods supply not stipulated in the bidding documents or otherwise to modify the bid as originally submitted.

Rejection of All Bids and Re-bidding

11. All bids (or the sole bid if only one bid is received) shall not be rejected, the procurement process shall not be cancelled, and new bids shall not be solicited without the Bank’s prior written concurrence.

Currency of bid and currency of payment

12. The bidder shall express the bid in the currency/currencies set forth in the bidding documents. The payment of the contract price shall be made in the currency or currencies of bid.

Extension of the Validity of Bids

13. Extension of validity of bids may be allowed in exceptional circumstances, but there shall be no amendment to the price or any other conditions of bids. Bidders may refuse such an extension without forfeiting their bids securities, but bidders granting an extension shall provide extension of the validity of their bid securities.

Fraud and Corruption

14. The bidding document and contract as deemed acceptable by the Bank shall include provisions stating the Bank’s policy to sanction firms or individuals, found to have engaged in fraud and corruption as defined in the Procurement Guidelines.

Public of Award of Contract

15. Result of bid evaluation and contract award shall be published in a national press or an official gazette or free and open access website. The publication shall include: (a) the name of each bidder that submitted a bid; (b) bid prices as read out at bid opening; (c) evaluated prices of each bid that was evaluated; (d) the names of bidders whose bids were either rejected as non-responsive or not meeting qualification criteria, or not evaluated, with the reasons thereof; and (e) the name of the winning bidder, and final total contract price, as well as the duration and summary scope of the contract. Such publication shall be within two weeks of receiving the Bank’s no
objection to the award recommendation for contracts subject to the Bank’s prior review, and within two weeks of the Recipient’s award decision for contracts subject to the Bank’s post review.

Complaints by Bidders and Handling of Complaints

16. The Recipient shall establish and implement an effective, fair and independent protest mechanism allowing bidders to protest and to have their protests handled in a timely manner.

Inspection and Audit Rights

17. In accordance with the Procurement Guidelines, each bidding document and contract financed out of the proceeds of the Financing shall provide that bidders, suppliers and contractors, and their subcontractors, agents, personnel, consultants, service providers, or suppliers, shall permit the Bank to inspect all accounts, records, and other documents relating to the submission of bids and contract performance, and to have them audited by auditors appointed by the Bank. Acts intended to materially impede the exercise of the Bank’s inspection and audit rights provided for in the Procurement Guidelines constitute an obstructive practice as defined in the Guidelines.

Contract Modifications

18. With respect to contracts subject to the Bank’s prior review, the Recipient shall obtain the Bank’s no objection before agreeing to: (a) a material extension of the stipulated time for performance of a contract; (b) any substantial modification of the scope of services or other significant changes to the terms and conditions of the contract; (c) any variation order or amendment (except in cases of extreme urgency) which, singly or combined with all variation orders or amendments previously issued, increases the original contract amount by more than 15 percent; or (d) the proposed termination of the contract. A copy of all contract amendments shall be provided to the Bank.
APPENDIX

Definitions


2. "Category" means a category set forth in the table in Section IV of Schedule 2 to this Agreement.

3. "Community" or "Communities" means one or several eligible communities in the Recipient’s territory whose Subproject meets selection criteria established in the Small Grant Operational Manual and who has or have received, or is or are to receive a Small Grant, under a Small Grant Agreement.

4. "Co-financing" means an approximate amount of five million five hundred and eighty thousand United States Dollars ($5,580,000 USD) to be provided by the Global Environment Facility ("GEF Grant") to assist in financing the Project.

5. "Co-financing Agreement" means the GEF Grant Agreement, an agreement to be entered into in order to assist in financing the Project between the Recipient and the World Bank acting as administrator of grant funds provided by the European Union.


7. "DARD" means the Department of Agriculture and Rural Development of the Recipient’s Ministry of Agriculture, Quarantine, Forestry and Fisheries, or any successor thereto.

8. "DGMWR" means the Recipient’s Department of Geology, Mines and Water Resources of the Recipient’s Ministry of Lands and Natural Resources or any successor thereto.

9. "DLA" means the Recipient’s Department of Local Authorities of the Recipient’s Ministry of Internal Affairs or any successor thereto.

environmental and social purposes under the Project, as said framework may be amended from time to time with the World Bank's prior approval.

11. "EU Project Agreement" means the agreement of same date herewith signed with the Project Implementing Entity for the implementation of Component 3.1 of the Project.

12. "MoAs" means the Memoranda of Agreement to be executed: (i) between VMGD and NDMC to implement Component 1.2 of the Project; (ii) among VMGD, DLA and NDMO to implement Component 2.2 of the Project; (iii) among VMGD, VARTC and DARD to implement Component 3.1 of the Project; (iv) between DGMVR and VMGD to implement Component 4 of the Project; and (v) between any other entity in charge of the implementation of the Project; all in form and substance satisfactory to the World Bank.

13. "National Advisory Board" means the Recipient's national advisory board for disaster risk reduction and climate change referred to in Section I.A.1(ii) of Schedule 2 to this Agreement to be established by the Recipient as further detailed in the Operational Manual and in charge of providing overall policy guidance and strategic direction for Project implementation.

14. "National Advisory Committee on Climate Change" means a committee referred to in Section I.A.1(i) of Schedule 2 to this Agreement established and operating under the Recipient's Council of Minister Decision No. 458, dated June 2000, and as further detailed in the Operational Manual and in charge of providing overall policy guidance and strategic direction for Project implementation, or any successor thereto.


16. "NDMO" means the National Disaster Management Office of the Recipient's Ministry of Internal Affairs, established and operating under the Vanuatu Disaster Management Act No. 31 of 2000 (Act No. 31), or any successor thereto.

17. "Operational Manual" means a manual prepared and to be adopted by the Recipient and the Project Implementing Entity, found satisfactory to the World Bank, which shall contain, iter alia: (i) the terms of reference, functions and responsibilities for the personnel of the National Advisory Committee on Climate Change and the National Advisory Board; (ii) the procedures for procurement of goods, works, non-consulting services, consultants' services and Operating Costs, as well as for financial management and audits under the Project; (iii) the indicators to be used in the monitoring and evaluation of the Project; (iv) flow and disbursement arrangements of Project funds; (v) the Procurement Plan; and (vi) the Environmental and Social Management Framework, as said manual may be amended from time to time with the World Bank's prior written approval.
18. “Operating Costs” means the recurrent operating costs of the Project incurred by the Recipient and the Project Implementing Entity on account of Project implementation, monitoring, evaluation, coordination and supervision, as approved by the World Bank based on annual budgets acceptable to the World Bank, which would not have been incurred but for the Project, including: (i) operation and maintenance of vehicle, repairs, fuel and spare parts; (ii) equipment and computer maintenance, including hardware and software; (iii) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (iv) office supplies and equipment; (v) rent for office facilities; (vi) utilities and insurances; (vii) travel and per diem costs for technical staff carrying out supervisory, data collection and quality control activities; (viii) salaries of local Project administrative staff but excluding salaries of the Recipient’s civil servants and the Project Implementing Entity’s regular staff.

19. “PHRD Grant” means the Grant awarded to the Recipient through the Policy and Human Resources Development Project (PHRD Grant No. TF012184), pursuant to the Grant Agreement entered into on October 1, 2012 between the Recipient and the World Bank acting as administrator of grant funds provided by Japan under the Japan Policy and Human Resources Development (PHRD) Trust Fund.

20. “PMU” means a group of officers within the administrative structure of VMGD in charge of the day-to-day management, implementation, monitoring and evaluation of the Project, as further detailed in the Operational Manual.


22. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated July 31, 2012, and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.

23. “Project Implementing Entity” or “VARTC” means Vanuatu Agricultural Research and Technical Centre, the Recipient’s agricultural center, established and operating under the Recipient’s VARTC Act No. 15 of 2002 (Act No. 15), or any successor thereto.

24. “Small Grant” means a grant made or proposed to be made under Component 2.2 of the Project to a Community for the financing of a Subproject (as hereinafter defined); and the term “Small Grants” means, collectively, all such grants.
25. "Small Grant Agreement" means an agreement referred to in Section I.D.2 of Schedule 2 to this Agreement to be signed between a Community and the Recipient for the financing of a Subproject; and the term "Small Grant Agreements" means, collectively, all such agreements.

26. "Small Grant Operational Manual" means a manual prepared and to be adopted by the Recipient, found satisfactory to the World Bank, which shall contain, inter alia: (i) the criteria, detailed rules and procedures for the selection and financing of the Subprojects; (ii) the procedures for community participation procedures for the procurement of goods, works, non-consulting services, consultants' services, as well as for financial management and audits under the Subprojects; (iii) the indicators to be used in the monitoring and evaluation of the Subprojects; (iv) flow and disbursement arrangements of Small Grant funds; (v) the model form for Small Grant Agreements; (vi) the Environmental and Social Management Framework, as said manual may be amended from time to time with the World Bank's prior written approval.

27. "Subproject" means an investment that meets the criteria established in the Small Grant Operational Manual and to be implemented by a Community under Component 2.2 of the Project; and the term "Subprojects" means, collectively, all such projects.

28. "Subsidiary Agreement" means the agreement referred to in Section II.B of Schedule 2 of this Agreement pursuant to which the Recipient shall make part of the proceeds of the Grant funds available to the Project Implementing Entity.

29. "Training" means reasonable costs (other than for consultants' and non-consulting services) incurred in relation to the Project for: (a) reasonable travel, room, board and per diem expenditures as incurred by trainers and trainees in connection with their training and by training facilitators; (b) course fees; (c) training facility rentals; and (d) training material preparation, acquisition, reproduction and distribution expenses, in each case as approved by the World Bank based on annual budgets acceptable to the World Bank.

30. "VMGD" means the Recipient's Meteorological and Geo-hazards Department of the Recipient's Ministry of Infrastructure and Public Utilities or any successor thereto.