
CREDIT NUMBER 1666 VA

Development Credit Agreement

(Multiproject Credit)

between

REPUBLIC OF VANUATU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *May 1*, 1986

DEVELOPMENT CREDIT AGREEMENT

AGREEMENT, dated May 1, 1986,
between REPUBLIC OF VANUATU (the Borrower) and INTERNATIONAL
DEVELOPMENT ASSOCIATION (the Association).

WHEREAS (A) the Borrower, having satisfied itself as to the feasibility and priority of the Project described in Schedule 2 to this Agreement, has requested the Association to assist in the financing of the Project;

(B) the Borrower intends to obtain from the Asian Development Bank (the ADB) a loan (the ADB Loan) from the ADB's Special Funds resources in various currencies equivalent to two million eight hundred twenty-two thousand Special Drawing Rights (SDR 2,822,000) to assist in financing the Project on the terms and conditions to be set forth in an agreement between the Borrower and the ADB (the ADB Loan Agreement);

(C) the Borrower also intends to obtain from the ADB a technical assistance grant (the TA Grant) up to the equivalent of two hundred seventy thousand dollars (\$270,000) to assist in financing the Project on the terms and conditions to be set forth in an agreement between the Borrower and the ADB (the ADB Technical Assistance Agreement);

(D) the ADB and the Association intend to enter into an agreement, a copy of which agreement will be furnished to the Borrower (the Administration Letter), making arrangements for the ADB to process applications for withdrawal of the proceeds of the financing to be provided severally by the ADB and the Association and regulating certain other matters of common interest in connection with such financing; and

WHEREAS the Association has agreed, on the basis, inter alia, of the foregoing, to extend the Credit to the Borrower upon the terms and conditions set forth in this Agreement;

NOW THEREFORE the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. The "General Conditions Applicable to Development Credit Agreements" of the Association, dated January 1,

1985, with the last sentence of Section 3.02 deleted (the General Conditions) constitute an integral part of this Agreement.

Section 1.02. Unless the context otherwise requires, the several terms defined in the General Conditions and in the Preamble to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) "Project Executing Agency" means PWD which is responsible for the carrying out of the Project;

(b) "Project facilities" means the facilities to be provided, constructed or upgraded under the Project;

(c) "PWD" means the Public Works Department of the Ministry of Transport, Communication and Public Works of the Borrower; and

(d) "Sub-project" means a specific sub-project included, or proposed to be included, in the Project, for financing out of the proceeds of the ADB Loan and/or the Credit.

ARTICLE II

The Credit

Section 2.01. The Association agrees to lend to the Borrower, on the terms and conditions set forth or referred to in the Development Credit Agreement, an amount in various currencies equivalent to one million nine hundred thousand Special Drawing Rights (SDR 1,900,000).

Section 2.02. (a) The amount of the Credit may be withdrawn from the Credit Account in accordance with the provisions of Schedule 1 to this Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and the Association, for expenditures made (or, if the Association shall so agree, to be made) in respect of the reasonable cost of goods and services required for the Project described in Schedule 2 to this Agreement and to be financed out of the proceeds of the Credit.

(b) The Borrower may, for the purposes of the Project, open and maintain in dollars a special account in its Central Bank on terms and conditions satisfactory to the Association. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions specified by the Association.

Section 2.03. The Closing Date shall be December 31, 1989 or such later date as the Association shall establish. The Association shall promptly notify the Borrower of such later date.

Section 2.04. (a) The Borrower shall pay to the Association a commitment charge at the rate of one-half of one percent (1/2 of 1%) per annum on the principal amount of the Credit not withdrawn from time to time. The commitment charge shall accrue from a date sixty days after the date of the Development Credit Agreement to the respective dates on which amounts shall be withdrawn by the Borrower from the Credit Account or shall be cancelled.

(b) The commitment charge shall be paid: (i) at such places as the Association shall reasonably request; (ii) without restrictions of any kind imposed by, or in the territory of, the Borrower; and (iii) in the currency specified in this Agreement for the purposes of Section 4.02 of the General Conditions or in such other eligible currency or currencies as may from time to time be designated or selected pursuant to the provisions of that Section.

Section 2.05. The Borrower shall pay to the Association a service charge at the rate of three-fourths of one percent (3/4 of 1%) per annum on the principal amount of the Credit withdrawn and outstanding from time to time.

Section 2.06. Commitment charges and service charges shall be payable semiannually on March 15 and September 15 in each year.

Section 2.07. The Borrower shall repay the principal amount of the Credit in semiannual installments payable on each March 15 and September 15 commencing September 15, 1996, and ending March 15, 2036. Each installment to and including the installment payable on March 15, 2006 shall be one-half of one percent (1/2 of 1%) of such principal amount, and each installment thereafter shall be one and one-half percent (1-1/2%) of such principal amount.

Section 2.08. The currency of the United States of America is hereby specified for the purposes of Section 4.02 of the General Conditions.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Borrower declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement, and, to this end, shall carry out the Project with due diligence and efficiency and in conformity with appropriate administrative, financial and engineering practices, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation on the provisions of paragraph (a) above, except as the Association may otherwise agree, the Borrower shall carry out or cause to be carried out all of the obligations set forth in Schedule 4 to the ADB Loan Agreement. References to the ADB in such Schedule shall be read for the purpose of this Agreement to be references to the Association.

Section 3.02. Except as the Association shall otherwise agree, procurement of the goods and works required for the Project and to be financed out of the proceeds of the Credit shall be governed by the provisions of Schedule 3 to the ADB Loan Agreement provided always that suppliers and contractors in countries in respect of which withdrawals from the Credit Account may be made pursuant to Section 5.01 of the General Conditions shall be eligible to compete in providing such goods, works and consultant's services. References to the "Bank" and the "Loan" in such Schedule shall be read for the purposes of this Agreement to be references to the Association and the Credit, respectively.

Section 3.03. For the purposes of Sections 3.01 (b) and 3.02, the provisions of Schedules 4 and 3 of the ADB Loan Agreement shall continue to remain in force and effect as if said provisions were fully set forth in such Sections, notwithstanding the termination of the ADB Loan Agreement, the ADB Technical Assistance Agreement, or the Administration Letter.

Section 3.04. The Association may, by notice to the Borrower, delegate to the ADB under an administration letter, for

the duration of such period as may be set forth in the Administration Letter, any or all of its functions and responsibilities under Articles II, III and IV of this Agreement and the Borrower shall comply with the provisions of the said Articles as if the ADB is substituted for the Association therein. The obligation of the Borrower to comply with said Articles II, III and IV shall continue in force and effect notwithstanding any termination or suspension of such delegated functions and responsibilities to the ADB under the Administration Letter.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Borrower shall maintain or cause to be maintained records and accounts adequate to reflect in accordance with sound accounting practices the operations, resources and expenditures in respect of the Project of the departments or agencies of the Borrower responsible for carrying out the Project or any part thereof.

(b) The Borrower shall:

- (i) have the accounts referred to in paragraph (a) of this Section for each fiscal year audited, in accordance with appropriate auditing principles consistently applied, by independent auditors acceptable to the Association;
- (ii) furnish to the Association, as soon as available, but in any case not later than nine months after the end of each such year, a certified copy of the report of such audit by said auditors, of such scope and in such detail as the Association shall have reasonably requested; and
- (iii) furnish to the Association such other information concerning the said accounts and the audit thereof and said records as the Association shall from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the Credit Account were made on the basis of statements of expenditure, the Borrower shall:

- (i) maintain or cause to be maintained, in accordance with paragraph (a) of this Section, separate records and accounts reflecting such expenditures;
- (ii) retain, until at least one year after the completion of the audit for the fiscal year in which the last withdrawal from the Credit Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (iii) enable the Association's representatives to examine such records; and
- (iv) ensure that such separate accounts are included in the annual audit referred to in paragraph (b) of this Section and that the report thereof contains, in respect of such separate accounts, a separate opinion by said auditors as to whether the proceeds of the Credit withdrawn in respect of such expenditures were used for the purposes for which they were provided.

ARTICLE V

Remedies of the Association

Section 5.01. Pursuant to Section 6.02 (h) of the General Conditions, the following additional event is specified, namely, that:

- (a) (i) Subject to subparagraph (ii) of this paragraph:
 - (A) The right of the Borrower to withdraw the proceeds of the ADB Loan or the TA Grant shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefor, or
 - (B) the ADB Loan shall have become due and payable prior to the agreed maturity thereof.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Borrower establishes to the satisfaction of the Association that: (A) such suspension,

cancellation, termination or premature is not caused by the failure of the Borrower to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Borrower from other sources on terms and conditions consistent with the obligations of the Borrower under this Agreement.

Section 5.02. Pursuant to Section 7.01 (d) of the General Conditions, the following additional event is specified, namely that any events specified in paragraph (a) (i) (B) of Section 5.01 of this Agreement shall occur, subject to the proviso of paragraph (a) (ii) of that Section.

ARTICLE VI

Effective Date; Termination

Section 6.01. The following event is specified as an additional condition to the effectiveness of the Development Credit Agreement within the meaning of Section 12.01 (b) of the General Conditions, namely, that all conditions precedent to the effectiveness of the ADB Loan, other than the effectiveness of this Agreement, shall have been fulfilled.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

ARTICLE VII

Representative of the Borrower; Addresses

Section 7.01. The Minister of Finance, Commerce, Industry and Tourism of the Borrower is designated as representative of the Borrower for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Borrower:

Minister of Finance, Commerce,
Industry and Tourism
P.O. Box 31
Port Vila
Republic of Vanuatu

Telex:

1040 VANGOV NH

For the Association:

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

Cable address:

INDEVAS
Washington, D.C.

Telex:

440098 (ITT)
248423 (RCA)
64145 (WUI)

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Manila, Republic of the Philippines, as of the day and year first above written.

REPUBLIC OF VANUATU

By /s/

Kalpoker Kalsoakan
Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION

By /s/

Gautam S. Raji
Director
East Asia and Pacific
Country Programs Department

SCHEDULE 1

Withdrawal of the Proceeds of the Credit

1. The table below sets forth the Categories of items to be financed out of the proceeds of the Credit, the allocation of the amounts of the Credit to each Category and the percentage of expenditures for items so to be financed in each Category:

<u>Category</u>	<u>Amount of the Credit Allocated (Expressed in SDR Equivalent)</u>	<u>% of Expenditures to be Financed</u>
(1) Civil works: road construction	350,000	50%
(2) Equipment: road construction	550,000	100% of foreign expenditures
(3) Wharf construc- tion	800,000	80%
(4) Unallocated	200,000	
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TOTAL	<u>1,900,000</u>	

2. For the purposes of this Schedule:

(a) the term "foreign expenditures" means expenditures in the currency of any country other than that of the Borrower for goods or services supplied from the territory of any country other than that of the Borrower; and

(b) the term "local expenditures" means expenditures in the currency of the Borrower or for goods or services supplied from the territory of the Borrower.

3. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made in respect of payments made for expenditures prior to the date of this Agreement.

SCHEDULE 2

Description of the Project

The objectives of the Project are to strengthen the Borrower's economic base and to revitalize existing productive projects.

The Project consists of individual Sub-projects in the public sector, selected or to be selected by agreement between the Borrower and the Association.

The identification, preparation, appraisal and implementation of each Sub-project shall be carried out in accordance with criteria acceptable to the Borrower and the Association. An appraisal report shall be prepared by the Borrower in respect of each Sub-project and submitted to the Association. The financing of a Sub-project under the Credit shall be conditional on the Association's approval of that Sub-project on the basis of the appraisal report in respect of that Sub-project.

The Sub-projects tentatively selected for inclusion in the Project are:

Outer Island Wharves and Landing Stages; Road Improvements to Port Sites; Upgrading of Primary School Buildings; and Detailed Engineering Design for Santo Port.

By agreement between the Borrower and the Association, Sub-projects may be added to, or substituted for, those above tentative Sub-projects, provided that the required financing from the Association and the ADB for the Project does not exceed the amount of the Credit and the ADB Loan respectively.

The appraisal reports for all the Sub-projects will be submitted to the Association in sufficient time to allow for approval by the Association and completion of the Sub-projects prior to the expected completion date of the Project.

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The Project is expected to be completed by June 30, 1989.

INTERNATIONAL DEVELOPMENT ASSOCIATION

CERTIFICATE

I hereby certify that the foregoing is a true copy of the original in the archives of the International Development Association.

In witness whereof I have signed this Certificate and affixed the Seal of the Association thereunto the 1st day of May, 1986.


FOR SECRETARY