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**GRANT NUMBER E197-TV**

# **Financing Agreement**

**(Tuvalu Safe and Resilient Aviation Project)**

**between**

**Tuvalu**

**and**

**INTERNATIONAL DEVELOPMENT ASSOCIATION**

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**GRANT NUMBER E197-TV**

**FINANCING AGREEMENT**

AGREEMENT dated as of the Signature Date between TUVALU (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). The Recipient and the Association hereby agree as follows:

**ARTICLE I — GENERAL CONDITIONS; DEFINITIONS**

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

**ARTICLE II — FINANCING**

- 2.01. The Association agrees to extend to the Recipient a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to seventeen million and one hundred thousand Special Drawing Rights (SDR 17,100,000) (“Financing”), to assist in financing the project described in Schedule 1 to this Agreement (“Project”).
- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.
- 2.04. The Payment Dates are June 15 and December 15 in each year.
- 2.05. The Payment Currency is Dollar.

**ARTICLE III — PROJECT**

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

of Transport, Energy and Tourism in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

- 4.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.02. For purposes of Section 10.05 (b) of the General Conditions, the date on which the obligations of the Recipient under this Agreement (other than those providing for payment obligations) shall terminate is twenty (20) years after the Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

- 5.01. The Recipient's Representative is the minister at the time responsible for finance.
- 5.02. For purposes of Section 11.01 of the General Conditions:

- (a) The Recipient's address is:

Ministry of Finance  
Vaiaku  
Funafuti  
Tuvalu; and

- (b) the Recipient's Electronic Address is:

E-mail:

[spaeniu@gov.tv](mailto:spaeniu@gov.tv)

- 5.03. For purposes of Section 11.01 of the General Conditions:

- (a) The Association's address is:

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

(b) the Association's Electronic Address is:

Telex:

Facsimile:

E-mail:

248423 (MCI)

1-202-477-6391

[cdpngpacific@worldbank.org](mailto:cdpngpacific@worldbank.org)

AGREED as of the Signature Date.

TUVALU

By



\_\_\_\_\_  
Authorized Representative

Name: Seve Paeniu

Title: Minister of Finance

Date: 19-Jun-2023

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



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Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 06-Jun-2023

## **SCHEDULE 1**

### **Project Description**

The objective of the Project to improve the safety and resilience of the Recipient's aviation sector and to ensure reliable regional air connectivity.

The Project is part of the Program and consists of the following parts:

#### **Part 1: Safe and Resilient Airport Infrastructure Solutions**

Carrying out activities to improve the climate resilience and safety of Funafuti International Airport infrastructure, including, *inter alia*:

- (a) rehabilitation and repairs of the runway;
- (b) an engineering consultancy to supervise runway rehabilitation and repair works; and
- (c) provision of navigation and operational safety equipment and related facilities.

#### **Part 2: Strengthening Capacity of the Aviation Sector**

Carrying out activities to build capacity of regulators and operators in aviation sector management, policy, resilience, safety and security oversight, including, *inter alia*:

- (a) provision of technical advisory support to the DCA on safety and security oversight, regulatory compliance, aerodrome and operational certification, airport asset maintenance strategy, and airport infrastructure resilience;
- (b) provision of technical assistance for aviation safety improvements;
- (c) provision of support for the improvement of aviation operational safety and resilience management strategies, manuals and protocols in accordance with ICAO standards;
- (d) training on aviation operational safety, ICAO-based management protocols, aviation policy, and climate resilient asset management; and
- (e) provision of support to DCA's internship program.

Part 3: Project Implementation Support

Providing technical, advisory, operational, and administrative support to MTET, including, *inter alia*:

- (a) support for the Project Management Unit in the areas of project management, coordination, environmental and social risk management, procurement, contract management, financial management, communications, monitoring and evaluation, technical aspects, and administration; and
- (b) support for activities under the TvAIP Environmental and Social Post-Closure Action Plan.

## SCHEDULE 2

### Project Execution

#### Section I. Implementation Arrangements

##### A. Institutional Arrangements.

###### Project Steering Committee

1. The Recipient shall, no later than two (2) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances, as determined by the Association in its sole discretion), establish and thereafter maintain, throughout the implementation of the Project, a Project steering committee, with a mandate, composition and resources satisfactory to the Association, which shall be: (a) responsible for, *inter alia*, providing strategic guidance and oversight to the Project; and (b) chaired by a secretary of MTET and composed of representatives from MTET and other agencies, as agreed in writing with the Association.

###### Project Management Unit

2. The Recipient shall, no later than two (2) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances, as determined by the Association in its sole discretion), establish and maintain, throughout the implementation of the Project, a Project Management Unit (PMU) within the MTET, with a mandate, composition and resources satisfactory to the Association, which shall be: (a) responsible for, *inter alia*, day-to-day implementation of the Project in accordance with the Project Operations Manual, including areas of technical, environmental and social management, procurement, financial management, and monitoring and evaluation; (b) headed by a Project manager; (c) comprised of, *inter alia*, a contract management specialist / Project engineer, and technical specialists, as needed and if such function is not already provided by the Central Project Management Office (CPMO), each with terms of reference, qualifications and experience satisfactory to the Association; and (d) include an environmental and social officer in accordance with the ESCP.

###### Central Project Management Office

3. The Recipient shall maintain, throughout the implementation of the Project, the Central Project Management Office within the Ministry of Finance, with a mandate, composition, and resources satisfactory to the Association, which shall be responsible for providing advisory and technical support on Project implementation to the PMU on an as-needed basis, including on project



management, procurement, financial management, social and environmental management, monitoring and evaluation, outreach and communications.

**B. Project Operations Manual**

1. By no later than three (3) months after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient is reasonable and acceptable under the circumstances, as determined by the Association in its sole discretion), the Recipient shall:
  - (a) prepare and furnish to the Association, for its review and approval, a Project Operations Manual (“Project Operations Manual”), which shall set forth, *inter alia*, the following detailed arrangements and procedures for the implementation of the Project: (i) institutional arrangements for the day-to-day execution of the Project; (ii) the preparation and successive updates of the Procurement Plan and its implementation arrangements; (iii) budgeting, disbursement, financial management and auditing arrangements; (iv) Project monitoring, reporting, evaluation and communication arrangements; the Project performance indicators; (v) eligibility and other criteria for the selection of eligible interns under part 2(e) of the Project, including details on the financing of Stipends; (vi) implementation arrangements for the environmental and social instruments; and (vii) any other administrative, financial, technical and organizational arrangements and procedures as shall be necessary for the implementation of the Project and the achievement of its development objective;
  - (b) afford the Association a reasonable opportunity to review the proposed Project Operations Manual; and
  - (c) adopt the Project Operations Manual as accepted by the Association.
2. The Recipient shall ensure that the Project is carried out in accordance with the Project Operations Manual, and except as the Association may otherwise agree in writing, the Recipient shall not amend or waive, or permit to be amended or waived, any provision of the Project Operations Manual. In the event of any inconsistency between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

**C. Annual Work Plans and Budgets**

1. The Recipient shall prepare and furnish to the Association, by not later than four (4) months of the Effective Date, and subsequently no later than July 1 of each year during the implementation of the Project (or such other interval or date as the Association may agree), for the Association’s review and no-objection, an Annual

Work Plan and Budget containing all eligible Project activities and expenditures (including Operating Costs, Stipends and Training) proposed to be included in the Project for the following fiscal year of the Recipient, including a specification of the source or sources of financing for all eligible expenditures, and environmental and social measures taken or planned to be taken in accordance with the provisions of Section I.D of this Schedule 2.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets accepted by the Association for the Recipient's respective fiscal year; provided, however, that in case of any conflict between the Annual Work Plans and Budgets and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall not make or allow to be made any change to the Annual Work Plans and Budgets, unless the Association has provided its prior no-objection thereof in writing.

**D. Environmental and Social Standards.**

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
  - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
  - (b) sufficient funds are available to cover the costs of implementing the ESCP;
  - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
  - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:

- (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and
  - (b) the Association is promptly notified of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
5. The Recipient shall establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
6. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

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

### Project Reports

1. The Recipient shall furnish to the Association each Project Report not later than one month after the end of each calendar semester, covering the calendar semester.

### Mid-Term Review

2. The Recipient shall carry out, jointly with the Association, not later than two (2) years after the Effective Date, or such other period as may be agreed with the

Association, a mid-term review of the Project (the “Mid-Term Review”) to assess the status of Project implementation, as measured against the Project indicators acceptable to the Association, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (a) overall progress in implementation; (b) results of monitoring and evaluation activities; (c) progress on procurement and disbursement; (d) progress on implementation of environmental and social measures; (e) implementation arrangements and Project staff turnover; and (f) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall:

- (i) prepare and furnish to the Association, at least one (1) month before the date of the Mid-Term Review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.2 of this Schedule 2 and the General Conditions, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and
- (ii) review, jointly with the Association, the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association’s views on the matter.

### **Section III. Withdrawal of the Proceeds of the Financing**

#### **A. General**

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<b>Category</b>	<b>Amount of the Grant Allocated (expressed in SDR)</b>	<b>Percentage of Expenditures to be Financed (Inclusive of Taxes)</b>
(1) Goods, works, non-consulting services, consulting services, Operating Costs, Stipends, and Training for the Project	17,100,000	100%
<b>TOTAL AMOUNT</b>	<b>17,100,000</b>	

**B. Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the Signature Date, except that withdrawals up to an aggregate amount not to exceed SDR 600,000 may be made for payments made prior to this date but on or after June 1, 2023, for Eligible Expenditures under Category (1).
2. The Closing Date is September 30, 2027.

## APPENDIX

### Definitions

1. “Annual Work Plan and Budget” means each annual work plan and budget (including related cash forecasts) for the implementation of the Project accepted by the Association, referred to in Section I.C of Schedule 2 to this Agreement; and “Annual Work Plans and Budgets” means, collectively, all such plans and budgets.
2. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.
3. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
4. “Central Project Management Office” or “CPMO” means the central project management office established in June 2021 within the Recipient’s Ministry of Finance, to provide oversight and support on development projects.
5. “DCA” means the Recipient’s department of civil aviation, within MTET, or any successor thereto.
6. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 26, 2023, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.
7. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii)

“Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.

8. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (revised on August 1, 2020, April 1, 2021, and January 1, 2022).
9. “ICAO” means the International Civil Aviation Organization.
10. “Mid-Term Review” shall have the meaning ascribed to it in Section II.2 of Schedule 2 to this Agreement.
11. “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto.
12. “Ministry of Transport, Energy and Tourism” or “MTET” means the Recipient’s ministry responsible for transport, energy and tourism, or any successor thereto.
13. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient on account of the implementation, management, and monitoring and evaluation of the Project, based on the Annual Work Plans and Budgets accepted ex-ante by the Association, including rental of office space, office supplies, bank charges, communications, advertising expenses, utilities, stationary, vehicle operation, maintenance, insurance, and transportation costs, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements of the Recipient’s civil servants.
14. “PASO” means Pacific Aviation Safety Office, the office established under the terms of the Pacific Islands Civil Aviation Safety and Security Treaty (PICASST), which was ratified by the Recipient on May 8, 2008, and which entered into force on June 7, 2008, or any successor thereto.
15. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated November 2020.
16. “Program” means the Pacific Aviation Investment Program, a regional aviation program designed to be carried out by the Recipient, the Kingdom of Tonga, the Republic of Kiribati, the Independent State of Samoa, and the Republic of Vanuatu, as presented to such countries in the PASO’s Council Meeting held at Noumea, New Caledonia, on October 13, 2011, and as set forth in minutes of such meeting dated October 21, 2011.

17. "Project Management Unit" or "PMU" means the Recipient's project management unit within the MTET that is responsible for the day-to-day implementation of the Project, as detailed in Section I.A.2 of Schedule 2 to this Agreement.
18. "Project Operations Manual" means the Recipient's manual setting forth the arrangements and procedures as detailed in Section I.B of Schedule 2 to this Agreement.
19. "Signature Date" means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to "the date of the Financing Agreement" in the General Conditions.
20. "Stipends" means money paid to eligible interns participating in the internship program referred to in Part 2(e) of the Project in accordance with the Project Operations Manual.
21. "Training" means the reasonable costs of training and workshop activities under the Project, based on the Annual Work Plans and Budgets accepted ex-ante by the Association, including preparation and reproduction of training materials, rental of facilities, reasonable transportation costs, per diem of trainers and trainees and/or participants (if applicable), and any other expenses directly related to course preparation and implementation.
22. "Tuvalu Aviation Investment Project" or "TvAIP" means the Recipient's project financed by the Association under a Financing Agreement dated November 1, 2021 (Grant Nos. D905-TV, D2410-TV, D109-TV, H896-TV), as amended from time to time.
23. "TvAIP Environmental and Social Post-Closure Action Plan" means the environmental and social post-closure plan prepared under the Tuvalu Aviation Investment Project.