
**GRANT NUMBER E330-VU
CREDIT NUMBER 7560-VU
CREDIT NUMBER 7561-VU**

Financing Agreement

**(Second Additional Financing for Vanuatu Climate Resilient Transport Project
under the Pacific Climate Resilient Transport Program)**

between

REPUBLIC OF VANUATU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF VANUATU (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS the Recipient has requested the Association to provide a second additional financing towards financing activities related to the Original Project; and the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend an additional grant and credits as provided for in Section 2.01 of this Agreement, for the purpose of providing a second additional financing to cover a cost overrun in the Original Project.

NOW, THEREFORE, 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 and credits, which are deemed as Concessional Financing for purposes of the General Conditions (collectively, “Financing”) in the following amounts to assist in financing the project described in Schedule 1 to this Agreement (“Project”):
 - (a) an amount equivalent to nine million six hundred thousand Special Drawing Rights (SDR 9,600,000) (“Grant”);
 - (b) an amount equivalent to eleven million six hundred thousand Special Drawing Rights (SDR 11,600,000) (“Credit (A)”); and
 - (c) an amount equivalent to one million six hundred thousand Special Drawing Rights (SDR 1,600,000) (“Credit (B)”).
- 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 Service Charge is only applicable to Credit (A) and is three-fourths of one percent (3/4 of 1%) per annum on the amounts of Credit (A) withdrawn from the Credit Account for Credit (A).
- 2.05. The Payment Dates are February 15 and August 15 in each year.
- 2.06. The principal amounts of Credit (A) and Credit (B) shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Infrastructure and Public Utilities 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 Additional Conditions of Effectiveness consist of the following:
 - (a) the Amendment Letter has been executed and delivered on behalf of the Recipient; and
 - (b) the Recipient has adopted an updated Project Operations Manual in form and substance satisfactory to the Association.
- 4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 4.03. 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 its 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 and Economic Management
 - PMB 9058
 - Port Vila
 - Republic of Vanuatu; and

(b) the Recipient's Electronic Address is:

Facsimile:	E-mail:
+67825533	tasewen@vanuatu.gov.vu

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

AGREED as of the Signature Date.

REPUBLIC OF VANUATU

By



Authorized Representative

Name: John Dahmasing Salong

Title: Minister of Finance

Date: 30-Jun-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 25-Jun-2024

SCHEDULE 1

Project Description

The objectives of the Project are to improve the climate resilience of the Recipient's road network, with emphasis on the selected project road, and in the event of an Eligible Crisis or Emergency, to provide an immediate response to the Eligible Crisis or Emergency.

The Project consists of the Original Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional and General Implementation Arrangements

1. The Recipient shall, by no later than one (1) month after the Effective Date (or such other date which the Association has confirmed in writing to the Recipient), establish and thereafter maintain throughout the Project implementation period, a Project Steering Committee, with a mandate, composition and resources satisfactory to the Association, which shall be: (a) responsible for, *inter alia*: providing inter-agency coordination for the Project and addressing any issues related to Project implementation; and (b) include Director General level senior representatives (or their delegates) from Ministry of Finance and Economic Management, Ministry of Infrastructure and Public Utilities, and other relevant agencies, all in accordance with the Project Operations Manual.
2. Section I.A.2 to Section I.A.5 (Project Implementation Unit and Project Support Team), Section I.D (Annual Work Plans and Budgets), Section I.E (Contingent Emergency Response), and Section 1.F (Safeguards) of Schedule 2 to the Original Financing Agreement are hereby incorporated by reference and shall apply, *mutatis mutandis*, to this Agreement, and the Recipient undertakes to comply with the provisions thereof to the same extent as if such provisions had been set out in full in this Agreement.

B. Project Operations Manual

1. The Recipient shall, update and adopt, and thereafter maintain throughout Project implementation, the Project operations manual, which shall set forth, *inter alia*, detailed arrangements and procedures for: (i) institutional arrangements for day to day execution of the Project; (ii) the preparation and successive updates of the Procurement Plan and its implementation arrangements; (iii) implementation arrangements for the Safeguards Instruments; (iv) budgeting, disbursement and financial management arrangements; (v) Project monitoring, reporting, evaluation and communication arrangements; (vi) contract management arrangements for the Project; (vii) 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 objectives; and (viii) the Gender Action Plan and GBV/VAC Strategy which shall be prepared by the Recipient, in form and substance satisfactory to the Association, and arrangements for their implementation (“Project Operations Manual”).

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.
3. 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.

Section II. Project Monitoring, Reporting and Evaluation

The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar quarter, covering the calendar quarter.

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 finance Eligible Expenditures in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Grant Allocated (expressed in SDR)	Amount of Credit (A) Allocated (expressed in SDR)	Amount of Credit (B) Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training and Workshops for Parts 1, 2 and 3 of the Project	9,600,000	11,600,000	1,600,000	100%

(2) Emergency Expenditures under Part 4 of the Project	0	0	0	100%
TOTAL AMOUNT	9,600,000	11,600,000	1,600,000	

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 Signature Date; or
 - (b) for Emergency Expenditures under Category (2), unless and until the Association is satisfied that all of the conditions listed in Section I.E.2 of Schedule 2 to the Original Financing Agreement have been met in respect of said expenditures.
2. The Closing Date is December 31, 2026.

SCHEDULE 3

Repayment Schedule

I. Repayment of Credit (A)

Date Payment Due	Principal Amount of Credit (A) repayable (expressed as a percentage)*
On each February 15 and August 15:	
commencing August 15, 2034, to and including February 15, 2044	1%
commencing August 15, 2044, to and including February 15, 2064	2%

* The percentages represent the percentage of the principal amount of Credit (A) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

II. Repayment of Credit (B)

Date Payment Due	Principal Amount of Credit (B) repayable (expressed as a percentage)*
On each February 15 and August 15	
commencing August 15, 2030, to and including August 15, 2035	8.33334%
on February 15, 2036	8.33326%

* The percentages represent the percentage of the principal amount of Credit (B) to be repaid, except as the Association may otherwise specify pursuant to Section 3.05 (b) of the General Conditions.

APPENDIX

Definitions

1. “Additional Financing Agreement” means the financing agreement for the Additional Financing for Vanuatu Climate Resilient Transport Project under the Climate Resilient Transport Program between the Recipient and the Association, dated February 25, 2022, as amended by the Amendment Letter, and as such agreement may be further amended from time to time (Credit No. 6999-VU; Grant No. D926-VU).
1. “Amendment Letter” means the letter amending the Original Financing Agreement (Credit No. 6531-VU; Grant No. D550-VU) and the Additional Financing Agreement (Credit No. 6999-VU; Grant No. D926-VU) between the Recipient and the Association, dated on or around the Signature Date.
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. “Credit (A)” means the credit in the amount referenced in Section 2.01(b) of this Agreement and the Credit for purposes of paragraph 24 of the General Conditions.
5. “Credit (B)” means the credit in the amount referenced in Section 2.01(c) of this Agreement and the Credit for purposes of paragraph 24 the General Conditions.
6. “Emergency Expenditure” has the meaning ascribed to it under paragraph 10 of the Appendix to the Original Financing Agreement.
7. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018 (last revised on July 15, 2023).
8. “Operating Costs” means reasonable expenditures incurred by the Recipient on account of Project implementation and management (which expenditures would not have been incurred absent of the Project) and included in the Annual Work Plans and Budgets accepted by the Association, including the Recipient’s staff travel costs, allowances, costs of vehicle rental, fuel and maintenance, bank charges, communications costs, office supplies and equipment, office rental fees, advertising expenses, audit fees, utilities and consumables required for holding meetings related to the Project, but excluding salaries, fees, honoraria, bonuses and any other salary supplements of civil servants of the Recipient.

9. “Original Financing Agreement” means the financing agreement for the Vanuatu Climate Resilient Transport Project under the Climate Resilient Transport Program between the Recipient and the Association, dated February 14, 2020, as amended to date and by the Amendment Letter, and as such agreement may be further amended from time to time (Credit No. 6531-VU; Grant No. D550-VU).
10. “Original Project” means the Project described in Schedule 1 to the Original Financing Agreement.
11. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
12. “Project Steering Committee” means the Recipient’s project steering committee referenced in Section I.A.1 of Schedule 2 to this Agreement.
13. “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.
14. “Training and Workshops” means the reasonable costs incurred by the Recipient and included in the Annual Work Plans and Budgets accepted by the Association, for training and workshops carried out under the Project, including purchase, translation and publication of materials, rental of facilities, course fees, workshop supplies, rental of equipment, reasonable honorarium/stipend of resource persons, and travel, accommodation, and subsistence of participants, but excluding fees of consultants.