
GRANT NUMBER E331-MH

Financing Agreement

**(Renewable Energy Generation and Access Increase Project)
(As Phase 1 of the Multi-Phase Programmatic Approach
Accelerating Sustainable Energy Transition)**

between

REPUBLIC OF THE MARSHALL ISLANDS

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF THE MARSHALL ISLANDS (“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 forty-five million, six hundred thousand Special Drawing Rights (SDR 45,600,000) (“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 January 15 and July 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the MPA Program. To this end, the Recipient shall cause the Project to be carried out by the Project Implementing Entity in accordance with the provisions of Article V of the General Conditions, Schedule 2 to this Agreement and the Project Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Condition of Effectiveness consists of the following, namely that the Recipient has caused the Project Implementing Entity to prepare and adopt a Project Implementation Manual in accordance with Section I.B of Schedule 2 to this Agreement.
- 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 responsible for finance.
- 5.02. For purposes of Section 11.01 of the General Conditions:
 - (a) The Recipient's address is:

Ministry of Finance, Banking & Postal Services
P.O. Box D,
Majuro
Marshall Islands 96960; and
 - (b) the Recipient's Electronic Address is:

E-mail:

davidpaul512@gmail.com

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

cdpacific@worldbank.org

AGREED as of the Signature Date.

REPUBLIC OF THE MARSHALL ISLANDS

By



Authorized Representative

David Paul

Name: _____

Title: _____ Minister of Finance

Date: _____ 22-Oct-2024

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Stephen N. Ndegwa

Name: _____

Title: _____ Country Director, PNG & Pacific Islands

Date: _____ 17-Oct-2024

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) increase renewable energy generation; and (ii) improve the reliability and quality of electricity service in targeted main and outer islands.

The Project constitutes a phase of the MPA Program and consists of the following parts:

Part 1: Renewable Energy and Network Upgrade in Main Grids

1. Supporting renewable energy integration in Majuro and Ebeye grids while enhancing resilience of distribution assets against climate/natural hazards including, *inter alia*:
 - (a) carrying out detailed studies, design, supply, installation, commissioning, and supervision of distributed, grid-connected solar photovoltaic (PV) energy investments;
 - (b) completing the construction of the MEC Power Station 1 Building; and
 - (c) installing electric vehicle charging stations in Majuro.
2. Carrying out a program of activities in Majuro and Ebeye to upgrade selected feeder or distribution line segments, replace underground cable splices, raise pad-mounted transformers and switchgears above surrounding levels, and supply critical operational vehicles and equipment.

Part 2: Improved Electricity Access in Outer Atolls

1. Supporting the provision of higher-level electricity services in Arno and Ine Islands including through:
 - (a) carrying out detailed studies, designs, supply, construction, commissioning, and supervision of hybrid mini grids; and
 - (b) installation of service drops with prepaid meters and power distribution panels for in-house connection.
2. Supporting the hybridization of diesel power plants in Jaluit, Wotje, and Rongrong including through:

- (a) carrying out detailed studies, designs, supply, installation, commissioning, and supervision of solar PV energy investments near diesel power plants; and
 - (b) rehabilitating selected segments of the distribution network.
3. Supporting the hybridization of the Kili Island's diesel power plant including through:
- (a) carrying out detailed studies, designs, supply, installation, commissioning and supervision of solar PV energy investments near the diesel power plant; and
 - (b) upgrading selected segments of the distribution network, and installation of prepaid meters.

Part 3: Institutional Strengthening and Implementation Support

- 1. Supporting sector development through: (a) the provision of technical assistance to develop energy efficiency regulations and electric vehicle policies and build regulatory capacity; (b) carrying out energy efficiency & electricity safety campaigns; (c) develop a renewable energy database and publish a state of renewable energy report; and (d) carry out preliminary studies to identify further renewable energy investments.
- 2. Supporting capacity building for MEC and KAJUR through the provision of: (a) technical assistance on design, operation, and maintenance of renewable energy technologies; and (b) gender-sensitive apprenticeship training and internship programs, including developing and implementing policies, procedures, and practices to attract and promote the retention of women.
- 3. Strengthening the Project Implementation Unit's capacity to manage and implement the Project, including financial management and procurement, monitoring and evaluation, environmental and social risks management, and citizen engagement activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

1. Project Steering Committee

- (a) The Recipient shall, maintain throughout implementation of the Project, the Project Steering Committee (“PSC”) with mandate, composition and resources satisfactory to the Association, which shall be responsible for providing oversight and strategic guidance for the Project.
- (b) Without limitation to the generality of the foregoing, the PSC shall be chaired by the Chief Secretary or his/her designee, and be composed of representatives from, *inter alia*, MFBPS, MWIU, KADA, NEO, MEC, KAJUR, MWSC and the outer islands, as further described in the PIM.

2. Project Implementation Unit

To ensure the proper and efficient implementation of the Project, the Recipient shall cause the Project Implementing Entity to:

- (a) at all times during the implementation of the Project, maintain a Project Implementation Unit (“PIU”), with terms of reference and resources acceptable to the Association, to be responsible for, *inter alia*, overseeing implementation and monitoring of the Project, including environmental and social risks management, procurement, and financial management; and
- (b) ensure that the PIU is staffed with necessary personnel at all times throughout the implementation of the Project. To this end, the Recipient shall cause the Project Implementing Entity to: (i) maintain in the PIU, a Project manager; and (ii) recruit by no later than three (3) months after the Effective Date, a finance officer, a procurement officer, a monitoring and evaluation specialist, and an environmental and social development officer, each with qualifications, experience and terms of reference satisfactory to the Association.

B. Project Implementation Manual

- 1. The Recipient shall cause the Project Implementing Entity to maintain at all times during implementation of the Project, an implementation manual in form and substance satisfactory to the Association, containing detailed arrangements and

procedures for implementation of the Project including *inter alia*: (a) institutional arrangements for the day-to-day execution of the Project; (b) disbursement and flow of funds arrangements; (c) fiduciary arrangements including financial management, procurement, and anti-corruption; (d) environment and social management systems; (e) monitoring and evaluation, reporting and communication; (f) a comprehensive administrative, accounting and financial manual of procedures; and (g) such other administrative, financial, technical and organizational arrangements, procedures and necessary terms of reference as shall be required for the Project (“Project Implementation Manual” or “PIM”).

2. The Recipient shall cause the Project Implementing Entity to carry out the Project in accordance with the PIM, and except as the Association shall otherwise agree, the Project Implementing Entity shall not assign, amend, abrogate, or waive the PIM, or any provision thereof.
3. In the event of any conflict between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

C. Subsidiary Agreement.

1. To facilitate the carrying out of the Project, the Recipient shall make proceeds of the Financing available to the Project Implementing Entity in the form of a grant under a subsidiary agreement between the Recipient and the Project Implementing Entity, under terms and conditions approved by the Association (“Subsidiary Agreement”).
2. Without limitation to the generality of Section I.B.1 above, the Subsidiary Agreement shall include, *inter alia*, provisions pursuant to which:
 - (a) the Project Implementing Entity shall undertake to carry out the Project with due diligence and efficiency and in accordance with appropriate technical, economic, financial, engineering, managerial, environmental, and social standards, and practices acceptable to the Association, including in accordance with the provisions of this Agreement and the Project Agreement; and
 - (b) the Recipient shall have the right to suspend or terminate the right of the Project Implementing Entity to use the proceeds of the Financing made available under the Subsidiary Agreement or obtain a refund of all or any part of the amount of the Financing made available under the Subsidiary Agreement then withdrawn, upon the Project Implementing Entity’s failure to perform any of its obligations under the Subsidiary Agreement.
3. The Recipient shall perform its obligations and exercise its rights under the Subsidiary Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as

the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate, or waive the Subsidiary Agreement or any of its provisions, or permit the Project Implementing Entity to do so.

D. Annual Work Plans and Budgets

1. The Recipient shall cause the Project Implementing Entity to, by not later than:
 - (a) three (3) months after the Effective Date for the first year of Project implementation; and
 - (b) August 31 of each year, for each subsequent year during the Project implementation period,

prepare and furnish to the Association, for the Association's review and no-objection, an annual work plan and budget ("Annual Work Plan and Budget"), which shall, *inter alia*: (a) list all activities (including Operating Costs and Training) proposed to be included in the Project in the Project Implementing Entity's following fiscal year; (b) provide a budget for their financing (with a financial plan specifying all sources of financing including the Financing and any other resources provided by the Recipient); and (c) describe the environmental and social risks management measures taken or planned to be taken in accordance with the provisions of Section I.E of this Schedule 2.

2. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets accepted by the Association for the Project Implementing Entity's fiscal year; provided, however, that in the event 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.

E. Environmental and Social Standards

1. The Recipient shall, and shall cause the Project Implementing Entity to, 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, and shall cause the Project Implementing Entity to, 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, and shall cause the Project Implementing Entity to, 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, and shall cause the Project Implementing Entity to, 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, and shall cause the Project Implementing Entity to, 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, and shall cause the Project Implementing Entity to, 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

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

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)	Percentage of Expenditures to be Financed. (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Operating Costs and Training for the Project (except for Part 2.3 of the Project)	43,300,000	100%
(2) Goods, works, non-consulting services, consulting services, Operating Costs and Training for Part 2.3 of the Project	2,300,000	100%
TOTAL AMOUNT	45,600,000	

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) under Category (2), unless and until the Recipient's Cabinet has approved an amendment to the Project Implementing Entity's Corporate Charter to expand the Project Implementing Entity's service area to include Kili Island in a manner satisfactory to the Association.
2. The Closing Date is September 30, 2030.

APPENDIX

Definitions

1. “Annual Work Plan and Budget” means each annual work plan, together with the related budget and updated procurement plan, for the Project accepted by the Association pursuant to the provisions of Section I.D of the Schedule 2 to this Agreement; as the said plan and budget may be modified from time to time with the prior written no-objection of the Association.
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. “Cabinet” means the Recipient’s council of ministers.
4. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
5. “Chief Secretary” means the head of the Recipient's Chief Secretary Office, established and appointed in accordance with Article VII, Section 2 of the *Constitution of the Marshall Islands 1979*.
6. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated April 30, 2024, 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 (Last revised on July 15, 2023).
9. “KADA” means the Recipient’s Kwajalein Atoll Development Authority, established and operating pursuant to the Kwajalein Atoll Development Authority Act, 2016, or any successor thereto.
10. “KAJUR” means the Recipient's state-owned enterprise named Kwajalein Atoll Joint Utility Resource, Inc, established by the Recipient's Cabinet through a Corporate Charter dated September 13, 1990, as managed by the CUB pursuant to the Recipient's Cabinet Decision C.M052(2006) dated April 28, 2006, or any successor thereto.
11. “Marshalls Energy Company” or “MEC” means the Recipient's state-owned enterprise named Marshalls Energy Company, Inc., established by the Recipient's Cabinet through a Corporate Charter dated July 20, 1989, or any successor thereto.
12. “MEC Power Station 1 Building” means the building belonging to the Project Implementing Entity that houses power generators.
13. “MWIU” means the Recipient's Ministry of Works, Infrastructure, and Utilities or any successor thereto.
14. “MWSC” means the Recipient's state-owned enterprise responsible for sewer and water services in Majuro, governed by the CUB in accordance with the Recipient's Cabinet Decision on February 21, 1997 (CM026(97)).
15. “MFBPS” means the Recipient's Ministry of Finance, Banking and Postal Services, or any successor thereto.
16. “MPA Program” means the multiphase programmatic approach program designed to accelerate renewable energy scale-up and grid integration in participating countries across the East Asia Pacific region.
17. “NEO” means the Recipient’s National Energy Office, established and operating pursuant to the National Energy Office Act, 2018, or any successor thereto.
18. “Operating Costs” means reasonable incremental expenditures incurred on account of Project implementation and based on Annual Work Plans and Budgets accepted *ex ante* by the Association, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities,

consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, meeting expenses, travel, subsistence and lodging expenses, administrative staff, project implementation support personnel, and other administrative costs directly related to the Project, exclusive of salaries of any member of the Recipient's (or any of its sub-divisions) civil service, sitting fees, bonuses, fees and honoraria or equivalent payments.

19. "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.
20. "Project Implementing Entity" means Marshalls Energy Company.
21. "Project Implementation Manual" or "PIM" means the manual referred to in Section I.B of Schedule 2 to this Agreement, as such manual may be updated from time to time with a prior written approval of the Association.
22. "Project Implementing Unit" or "PIU" means the unit referred to in Section I.A.2 of Schedule 2 to this Agreement.
23. "Project Steering Committee" or "PSC" means the committee referred to in Section I.A.1 of Schedule 2 to this Agreement.
24. "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.
25. "Subsidiary Agreement" means the agreement referred to in Section I.C of Schedule 2 to this Agreement.
26. "Training" means reasonable costs of Project related training activities, including workshops, all based on terms of reference acceptable to the Association and Annual Work Plans and Budgets accepted *ex ante* by the Association, in facilitating, conducting, and/or undertaking domestic and overseas training and workshop activities under the Project, including preparation and reproduction of training materials, rental of facilities and equipment, accommodation and transportation costs, tuition fees, per diem of trainers and trainees (if applicable), and honoraria for trainers.