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**The World Bank**  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
INTERNATIONAL DEVELOPMENT ASSOCIATION

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June 21, 2013

The Honourable Maki Stanley Simelum  
Minister of Finance and Economic Management  
Port Vila  
Vanuatu

**Vanuatu: Energy Sector Development Project**  
**PRIF Grant No. TF014801**  
**Grant Agreement**

Dear Minister:

In response to the request for financial assistance made on behalf of the Republic of Vanuatu (the "Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively, the "World Bank"), acting as administrator of grant funds provided under the Pacific Region Infrastructure Facility ("PRIF") multi-donor trust fund, proposes to extend to the Recipient a grant in an amount not to exceed one million five hundred thousand United States Dollars (U.S.\$1,500,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank's payment obligations in connection with this Agreement are limited to the amount of funds made available to it under the abovementioned trust fund, and the Recipient's right to withdraw the Grant proceeds, is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement. Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank.

Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature.


Very truly yours,  
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT/  
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Franz R Drees-Gross

Franz R. Drees-Gross

Country Director

Papua New Guinea, Timor-Leste and Pacific Island Countries

AGREED:  
REPUBLIC OF  TU

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

Name George Maiuri

Title Director General, MFCOI

Date: 27/06/13

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012
- (2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006

**Article I**  
**Standard Conditions; Definitions**

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 (“Standard Conditions”) constitute an integral part of this Agreement.

1.02. **Definitions.** 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.

- (a) “Co-financing Agreements” means the ESMAP Grant Agreement and the SCF-SREP Grant Agreement, agreements to be entered into in order to assist in financing the Project between the Recipient and the World Bank acting respectively as administrator of the Energy Sector Management Assistance Program (“ESMAP”) and as an implementing entity of the Scaling-Up Renewable Energy Program in Low Income Countries under the Strategic Climate Fund (SREF)
- (b) “DEMRR” means the Recipient’s Department of Energy, Mines and Mineral Resources, or any successor thereto, in charge of the implementation of Component 1 of the Project.
- (c) “ESMAP Co-financing Agreement” means the ESMAP Grant Agreement, an agreement to be entered into between the Recipient and the World Bank, acting as an implementing entity of the Energy Sector Management Assistance Program in order to assist in financing the Agreement.
- (d) “Project Agreement” means an agreement of same date herewith between the Project Implementing Entity and the World Bank for the implementation of Component 2 of the Project.
- (e) “Project Implementing Entity” or the “URA” means the Recipient’s Utilities Regulatory Authority enacted and operated through the Recipient’s *Utilities Regulatory Authority Act No. 11 of 2007*, or any successor thereto, in charge of the implementation of Component 2 of the Project.
- (f) “SCF-SREP Co-financing Agreement” means the SCF-SREP Grant Agreement, an agreement to be entered into between the Recipient and the World Bank, acting as an implementing entity of the Scaling-Up Renewable Energy Program in Low Income Countries under the Strategic Climate Fund in order to assist in financing the Project.
- (g) “Subsidiary Agreement” means an agreement of same date herewith between the Recipient and the Project implementing Entity for the implementation of Component 2 of the Project.
- (h) “SREP Investment Plan” means an investment plan, including an energy sector overview, a renewable energy technologies assessment and a capacity building program, supported by this Grant under this Agreement for Component 1 of the Project which shall support DEMRR in implementing said Component 1 of the Project through the financing of goods, workshops, consultant services and incremental operating costs.

## **Article II Project Execution**

2.01. ***Project Objectives and Description.*** The objective of the Project is to provide technical assistance to DEMMR and the Project Implementing Entity in the development and execution of their work programs. The Project consists of the following Components:

### ***Component 1: Policy Support for DEMMR***

Support for planning and the implementation of policy, legislative and regulatory reforms and appropriate institutional arrangements, consisting of advisory assistance and capacity-building for DEMMR in the following areas:

- (i) Plans, policy, legislation, regulations and institutional arrangements (consultant and advisory services, workshops and communication);
- (ii) Capacity building for DEMMR to support the development of policy, legislative and regulatory arrangements, and monitoring and compliance framework for renewable energy and energy efficiency investments; and
- (iii) Preparation of the SREP Investment Plan, including an energy sector overview and a renewable energy technologies assessment.

### ***Component 2: Regulatory Support for URA***

Provide technical assistance and advisory services in the energy and water sectors for the regulation, legal aspects, sector and market economic analysis and on-the-job training, mentoring, and formal training (in country and overseas, including through training/internship arrangements) for the Project Implementing Entity.

2.02. ***Project Execution Generally.*** The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall: (i) carry out Component 1 of the Project through the DEMMR as described in the Co-financing Agreements, and; (ii) cause Component 2 of the Project to be carried out by the Project Implementing Entity in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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 (“Anti-Corruption Guidelines”); (c) this Article II; (d) the Co-Financing Agreements; (e) the Project Agreement and (g) the Subsidiary Agreement.

2.03 ***Institutional and Other Arrangements.*** (a) The Recipient shall cause a Project support team to be maintained within the Project Implementing Entity through the period of the Project’s implementation, such support team to be responsible for achieving the objectives of Component 2 of the Project, and endowed with powers, staffing, terms of reference, experience and qualifications acceptable to the World Bank.

2.04. ***Donor Visibility and Visit.*** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donors to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) 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 agreed with the World Bank. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the World Bank not later than one month after the end of the period covered by such report.

(b) 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.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project are prepared and furnished to the World Bank as part of the Project Report not later than one (1) month after the end of each calendar semester, covering the semester, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements 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 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.

#### 2.07. **Procurement**

(a) General. All goods 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:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Procurement Guidelines"), in the case of goods;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of 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.

(c) Particular Methods of Procurement of Goods

The following methods may be used for procurement of goods: Shopping.

(d) Particular Methods of Procurement of Consultants' Services

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Least Cost Selection; (C) Selection of Individual Consultants; (D) Selection based on Consultants' Qualifications; and (E) Single Source Selection.

(e) 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.

**Article III  
Withdrawal of Grant Proceeds**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant in accordance with the provisions of: (a) 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 following table. The 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:

<b>Category</b>	<b>Amount of the Grant Allocated (Expressed in USD)</b>	<b>Percentage of Expenditures to be Financed (inclusive of Taxes)</b>
(1) Goods, Consultant Services, and Training and Workshops	\$1,350,000	100%
(2) Incremental Operating Costs	\$150,000	100%
<b>TOTAL AMOUNT</b>	<b>\$1,500,000</b>	

For the purposes of this paragraph, the terms:

(i) "Training and Workshops" means all costs associated with training courses and workshops attended by URA staff and study tours as approved by the World Bank, including course or conference fees, travel and accommodation costs, per diems, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and production of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation; and

(ii) "Incremental 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: (A) operation and maintenance of vehicle, repairs, fuel and spare parts; (B) equipment and computer maintenance, including hardware and software; (C) communication costs and shipment costs (whenever these costs are not included in the cost of goods); (D) office supplies and equipment; (E) rent for office facilities; (F) utilities and insurances; (G) travel and per diem costs for technical staff carrying out supervisory, data collection and quality control activities; (H) advertising for Project related positions; and (I) salaries of local Project administrative staff but excluding salaries of the Recipient's civil servants and the Project Implementing Entity's regular staff.

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$50,000 equivalent may be made for payments made prior to this date but on or after January 1, 2013, for Eligible Expenditures under Category (2).

3.05. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is June 30, 2015.

#### **Article IV Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient's Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance and Economic Management.

4.02. **Recipient's Address.** The Recipient's Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance and Economic Management  
Port Vila, Vanuatu

Telex:	Facsimile:
678 23032	67827937

4.03. **World Bank's Address.** The World Bank's Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development and  
International Development Association

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

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