

OFFICIAL DOCUMENTS

GRANT NUMBER D1870-KI

Financing Agreement

(Phase 4 of the Pacific Regional Connectivity Program: Kiribati Connectivity Project)

between

REPUBLIC OF KIRIBATI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 3rd July, 2017

GRANT NUMBER D1870-KI

FINANCING AGREEMENT

AGREEMENT dated 3rd July, 2017, entered into between the REPUBLIC OF KIRIBATI (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”).

WHEREAS (A) The Recipient together with the Republic of Nauru (“Nauru”) and the Federated States of Micronesia (“FSM”) wish to procure, construct and operate the East Micronesia Cable (“EMC”), a regional submarine cable system connecting Kiribati with Nauru and the FSM (collectively referred to as the “Participating Countries”).

(B) The Participating Countries, having satisfied themselves of the feasibility of the EMC, have requested the following support for the purpose of financing their respective share of the construction, ownership and operation of the EMC and the technical assistance for the drafting and negotiation of appropriate contractual arrangements for the construction, ownership and maintenance of the EMC (as well as other activities related to the use of the EMC’s capacity by users in their respective territories), to be entered into between the Participating Countries (or their respective national cable operators) and, *inter alia*, the constructor, and related acts and instruments:

(a) Nauru has requested a financing in amount equivalent to fifteen million Dollars (a “Co-financing”) from Asian Development Bank (a “Co-financier”);

(b) FSM has requested a financing in an amount of Special Drawing Rights twelve million (equivalent to sixteen million two hundred thousand Dollars) from the Association, to be provided through financing in part already extended and in part to be extended by the Association to FSM for its Pacific Regional Connectivity Program Phase 2: Palau-FSM Connectivity Project (the “FSM IDA Financing”); and

(c) the Recipient has requested a financing in an amount equivalent to twenty million Dollars from the Association.

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) constitute an integral 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, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to fourteen million eight hundred thousand Special Drawing Rights (SDR 14,800,000) (“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 IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are November 1 and May 1 in each year.
- 2.05. The Payment Currency is the Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the EMC. To this end, the Recipient shall carry out the Project through MICTTD in accordance with the provisions of Article IV of the General Conditions, and shall cause sub-components 1(a) and 3(b) of the Project (collectively the “Project Implementing Entity’s Respective Part of the Project”) to be carried out by the National Cable Operator to be established in accordance with Section I.B.1(a) of Schedule 2 to this Agreement (the “Project Implementing Entity”), in accordance with the provisions of Article IV of the General Conditions and the Project Agreement.
- 3.02. Without limitation upon the provisions of Section 3.01 of this Agreement, and except as the Recipient and the Association shall otherwise agree, the Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Events of Suspension consist of the following:
- (a) The Telecommunications Legislation, the Licenses, the Permits or the Project Implementing Entity's Constitutive Documents have been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the Recipient or the Project Implementing Entity to perform any of their respective obligations under this Agreement or the Project Agreement, or to achieve the Project development objectives.
 - (b) (i) The legal agreements for the FSM IDA Financing has failed to become effective by the date which is twelve (12) months after the Effective Date of this Agreement (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); or (ii) the right to withdraw the proceeds of the FSM IDA Financing has been suspended, canceled or terminated in whole or in part; in each case, except if the Recipient establishes to the satisfaction of the Association that adequate funds are available for the financing of the EMC in full, from other sources and on terms and conditions consistent with the obligations of the parties to the Construction and Maintenance Agreement thereunder.
 - (c) Any of the parties to the Construction and Maintenance Agreement has failed to comply with its obligations thereunder so as to affect materially and adversely the ability of: (i) the Recipient and/or the Project Implementing Entity (as the case may be) to perform any of their respective obligations under this Agreement or the Project Agreement, or to achieve the Project development objectives; (ii) the FSM or FSM Open Access Entity as defined in the legal agreements for the extension of the FSM IDA Financing (as the case may be) to perform any of their respective obligations under such legal agreements or achieve the objectives of the development of the project as defined therein; and/or (iii) Nauru or the project implementing entity as defined in the Co-financing Agreement (as the case may be) to perform any of their respective obligations under the Co-financing Agreement or achieve the objectives of the development of the project as defined therein.
- 4.02. The Co-financing Deadline for the effectiveness of the Co-financing Agreement is twelve (12) months after the Effective Date of this Agreement (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).

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.02. For purposes of Section 8.05 (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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Minister responsible for finance.

- 6.02. The Recipient's Address is:

Ministry of Finance and Economic Development
P.O. Box 67
Bairiki,
Tarawa

Facsimile:

(686) 21307

- 6.03. The Association's Address is:

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

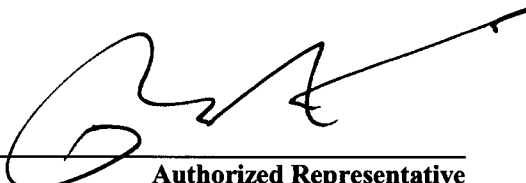
Facsimile:

1-202-477-6391

AGREED at BAIRIKI, TARAWA, as of the day and year first above written.

REPUBLIC OF KIRIBATI


By



Authorized Representative
Name: Dr. TEUEA TOATU.
Title: HON. MINISTER (MFPD)

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative
Name: MICHEL KEEFE
Title: COUNTRY DIRECTOR

SCHEDULE 1

Project Description

The objectives of the Project are to reduce the cost and increase the availability of internet services in Kiribati.

The Project consists of the following parts:

Component 1 Submarine Cable System

(a) Submarine Cable System

In collaboration with FSM and Nauru, and in accordance with the cost sharing arrangement described in the Construction and Maintenance Agreement, construction of the EMC, a regional submarine cable system connecting Tarawa (in Kiribati) with Nauru, as well as Kosrae and Pohnpei (both in the Federated States of Micronesia).

(b) Cable Landing Station and ancillary equipment

(i) Construction of a cable landing station, beach manhole and on-shore ancillary equipment in Tarawa.

(ii) Connection of the EMC to the Pohnpei cable landing station.

Component 2 Technical Assistance

(a) Provision of legal, financial, technical and transactional assistance in connection with the drafting and negotiation of an arrangement for the construction, ownership and management of the EMC to be entered into, between Kiribati, Nauru and FSM, each acting through its respective national cable operator on one hand and the constructor and other parties (as the case may be) on the other hand.

(b) Provision of legal advisory assistance for the establishment of a Kiribati national cable operator, with capacity and resources for the purpose of operating the EMC and managing all national aspects of the provision of services to users of the EMC's capacity in the Recipient's territory.

(c) Provision of technical assistance to the Communication Commission of Kiribati in the areas of licensing, interconnection and access, and landing party agreements, including any implementing or ancillary regulatory instruments ensuring cost-based, non-discriminatory and open access to capacity.

(d) Provision of ICT policy and legal technical assistance in connection with electronic transactions (such as e-government and e-commerce) to facilitate citizens access to and use of broadband services, including for the development of the legal and regulatory

framework to support safe electronic transactions, cybersecurity, data protection and confidentiality.

Component 3 Project Management and Administration

(a) Carrying out of a program of activities to strengthen the capacity of the Recipient (and other related agencies involved in the implementation of the Project) to implement the Project, including:

- (i) overall Project coordination, technical coordination, financial and contract management, procurement, communication, outreach, reporting, audit, monitoring and evaluation; and
- (ii) environmental and social safeguard management; and

(b) Carrying out of a program of activities to strengthen the Project Implementing Entity's capacity to implement the Project, including:

- (i) overall Project coordination, technical coordination, financial and contract management, procurement, communication, outreach, reporting, audit, monitoring and evaluation; and
- (ii) environmental and social safeguard management.

SCHEDULE 2

Project Execution

Section I. Institutional and Implementation Arrangements

A. Institutional Arrangements.

1. Steering Committee for the EMC

The Recipient, acting together with Nauru and the FSM, shall take all actions under its control to maintain the Steering Committee for the EMC (“SC”) with terms of reference, composition and resources satisfactory to the Association for the purpose of, inter alia, developing the supra national Project activities as well as the related implementation arrangements, including negotiating the Construction and Maintenance Agreement referred to in Section I.B.2(a) below, until the date when the Project Implementing Entity will have been established and have become operational in accordance with Section I.B.1 of this Schedule 2 and each of the entities responsible for the implementation of the EMC in Nauru and FSM has been established and has become operational.

2. Project Management Unit

(a) The Recipient shall maintain the Project Management Unit (“PMU”) established for the management of its Telecommunications and ICT Development Project (P126324) under the authority of MICTTD, with terms of reference, composition and resources satisfactory to the Association for the management of the Project, until the date when the Project Implementing Entity will have been established and have become operational in accordance with Section I.B.1 of this Schedule 2.

(b) Without limitation to the generality of the provisions of Section I.A.2(a) of this Schedule, the PMU shall oversee the implementation of the Project except sub-component 1(a)(ii).

(c) Without limitation to the provisions of Section I.A.2(a) of this Schedule, the PMU shall at all times be under the direction of qualified management provided with sufficient resources and staffed with competent personnel (including consultants on an as needed basis for the implementation of the Project) in adequate numbers (in the views of the Association), in each case with qualifications and experience satisfactory to the Association.

B. Implementation arrangement

1. National Cable Operator

(a) Establishment of the National Cable Operator

(i) No later than six (6) 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 establish a separate legal entity (in a form acceptable to the Association) to be the national cable operator (referred to herein for ease of reference only as the "National Cable Operator") for the purpose of, *inter alia*, owning the Recipient's cable system assets (whether they have been developed under this Project or the Recipient's Telecommunications and ICT Development Project) and operating and managing the optical fiber capacity.

(ii) Without limitation to the provisions of Section I.B.1(a)(i) of this Schedule, the National Cable Operator shall at all times be under the direction of qualified management provided with sufficient resources and staffed with competent personnel (including consultants on an as needed basis for the implementation of the Project especially, but not limited to, financial management and procurement specialists) in adequate numbers (in the views of the Association) for the implementation of the Project, in each case with qualifications and experience satisfactory to the Association.

(b) Implementation Arrangement for the Project Implementing Entity's Respective Part of the Project: Promptly after having established the National Cable Operator in accordance with Section I.B.1(a) of this Schedule, the Recipient shall take the following actions:

(i) the Recipient shall cause the National Cable Operator to enter into a project agreement in form and substance satisfactory to the Association for the purpose of implementing the Project (the "Project Agreement");

(ii) (A) the Recipient shall enter into an agreement in form and substance satisfactory to the Association with the National Cable Operator for the purpose of transferring in the form of a grant to the National Cable Operator the proceeds of the Financing allocated from time to time to Category 1 of the Disbursement Table included in Section IV.A.2 of Schedule 2 to this Agreement for the purpose of implementing the Project Implementing Entity's Respective Part of the Project (the "Subsidiary Agreement");

(B) Without limitation to the provisions of Section I.B.1(b)(ii) of this Schedule, the terms and conditions of the Subsidiary Agreement shall include the Project Implementing Entity's obligations to comply with the provisions of the Project Agreement and the Recipient's right to suspend

or terminate the Subsidiary Agreement upon: (AA) the Project Implementing Entity's failure to perform its obligations under the Subsidiary Agreement and/or the Project Agreement; or (BB) the Association exercising any of the remedies under Article VI of the General Conditions, and/or the Procurement Regulations and/or the Anti-corruption Guidelines.

(C) The Recipient shall 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, the Recipient shall not assign, amend, abrogate or waive the Subsidiary Agreement or any of its provisions.

2. Construction and Maintenance Agreement

(a) No later than twenty-four (24) 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), as part of sub-component 1(a), the Recipient, acting together with Nauru and the FSM (directly or through their respective national cable operator), shall cause the National Cable Operator, acting as Project Implementing Entity, to enter into a legally binding contractual arrangement for the construction, ownership and management of the EMC with Nauru, FSM, a constructor and other parties, each selected on the basis of terms of reference, qualifications and experience satisfactory to the Association, and related acts and instruments, all in form and substance satisfactory to the Association (referred to herein for ease of reference only as the "Construction and Maintenance Agreement"). Without limitation to the generality of the foregoing provisions, the Construction and Maintenance Agreement shall address the financing, ownership, design, installation with construction milestones corresponding supplier payments, operation and maintenance of the EMC system over its lifetime, as well as, if relevant in the Association's views, provide for the Participating Countries' access to (including capacity commitment and pricing) and termination/interconnection on the HANTRU-1 Cable at Guam;

(b) Without limitation to the generality of the provisions in Section I.B.2(a) of this Schedule, the Construction and Maintenance Agreement shall contain provisions satisfactory to the Association for the purpose of: (i) guaranteeing open access to such infrastructure and services on transparent, cost-based and non-discriminatory basis; and (ii) ensuring that the EMC is installed, financed, owned and operated in accordance with the provisions of the Anti-Corruption Guidelines.

(c) The Recipient shall cause the Project Implementing Entity to comply with all its obligations and exercise its rights under the Construction and Maintenance

Agreement so as to best protect the interest of the ICT service users in the Recipient's territory, to comply with its obligations under the Project Agreement and achieve the objectives of the Project.

(d) The Recipient cause the Project Implementing Entity to obtain from the Association written agreement prior to assigning, amending, abrogating or waiving the Construction and Maintenance Agreement, or any provision thereof, or permitting any entity participating in the implementation of the Project to do so.

3. Construction, ownership and management of the cable landing station at Tarawa, the beach manhole and on-shore ancillary equipment under subcomponent 1(b)(i) of the Project

- (a) Under sub-component 1(b)(i) of the Project, the Recipient shall cause the Project Implementing Entity to:
- (i) construct and manage the cable landing station at Tarawa (with the possibility to establish an internet exchange point within the cable landing station's precinct), the beach manhole and on-shore ancillary equipment,
 - (ii) establish and operate the operator facing facilities for the operator interconnection and prepare a reference interconnection offer or other client contracting arrangements;
 - (iii) provide wholesale services to the telecommunications operators in the Recipient's territory; and
 - (iv) obtain in a timely fashion all Licenses and Permits or other authorizations which may be required under the laws and regulations of the Recipient in order to carry out the activities described or referred to in this Agreement and the Project Agreement.

4. Strategic Asset Management Plan

- (a) No later than twenty-four (24) 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 design (or cause to be designed and adopt) a strategic asset management plan (the "Strategic Asset Management Plan") in form and substance acceptable to the Association and consistent with Kiribati laws and regulations and the provisions of this Agreement and the Project Agreement.
- (b) Without limitation to the generality of the provisions of Section I.B.4(a) of this Schedule, the Strategic Asset Management Plan shall give priority to the promotion of an open, competitive and fairly regulated market, and include inter alia details of ownership, divestiture arrangements, financing and operation of the

National Cable Operator, including a timeline for its implementation, governance arrangement, business model, assets valuation and protection of the interest of the users of ICT services in Kiribati.

- (c) Without limitation to the generality of the provisions of Section I.B.4(a) of this Schedule, the Strategic Asset Management Plan shall target the assets of the Project as well as those of the Recipient's Telecommunications and ICT Development Project and shall include an arrangement which shall:
- (i) minimize the overall costs to the operators for both the provision of cable access and the provision of infrastructure service to the Outer Islands of Kiribati;
 - (ii) capture synergies relevant to the two infrastructure management functions; and
 - (iii) recognize the shortage of relevant expertise that could otherwise result in limitations on both projects.

C. Anti-Corruption

The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

D. Safeguards.

1. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that all terms of reference for any technical assistance or studies carried out under the Project are consistent with, and pay due attention to, the Association Policies, as well as the Recipient's own laws and regulations relating to the environment and social aspects relevant to the Project.
2. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project shall be implemented in accordance with the guidelines, procedures, timetables and other specifications set forth in the Safeguard Documents.
3. Except as the Association shall otherwise agree in writing and subject to compliance with applicable consultation and public disclosure requirements of the Association, the Recipient shall not and shall ensure that the Project Implementing Entity shall not, abrogate, amend, repeal, suspend or waive any provisions of any of the Safeguard Documents, nor shall either of them permit any entity participating in the implementation of the Project to do so.
4. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall and shall cause the Project Implementing Entity to, regularly collect, compile and submit to the Association, on a quarterly basis (or promptly

whenever the circumstances warrant), reports on the status of compliance with the Safeguard Documents, giving details of: (a) measures taken in furtherance of the Safeguard Documents; (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Documents; and (c) remedial measures taken or required to be taken to address such conditions.

5. In the event that any provision of the Safeguard Documents shall conflict with any provision under this Agreement or the Project Agreement, the terms of this Agreement and the Project Agreement shall prevail, in that order of priority.

E. Project Operations Manual

1. No later than three (3) months after the effective Date, the Recipient shall, and shall cause the Project Implementing Entity to, prepare and adopt an operations manual for the Project (the "Project Operations Manual").
2. The Project Operations Manual shall set forth:
 - (a) (i) the detailed description of Project implementation activities, their sequencing and the prospective timetable and benchmarks in relation thereto; (ii) the detailed institutional arrangements in respect thereto, including allocation of responsibilities, required staff and minimum qualifications thereof; and (iii) the performance indicators for the Project;
 - (b) the administrative, accounting, auditing, internal control, asset management, reporting, financial, procurement and disbursement (flow of funds) procedures for the Project; which procedures shall be consistent with those of the Financing Agreement and the Association's instructions thereunder, as well as the requirements of the Project Agreement;
 - (c) (i) the procedural steps for the update of the Procurement Plan; and (ii) an outline of the mechanism for the settlement of procurement complaints and the disclosure of critical procurement information (website maintenance);
 - (d) the guidelines for training and capacity building activities under the Project; and the plan for monitoring and supervision of Project activities, including all technical environmental and social aspects in relation thereto.
3. The Recipient shall, and shall cause the Project Implementing Entity to, ensure that the Project is carried out in accordance with the Project Operations Manual.
4. The Recipient shall, and shall cause the Project Implementing Entity to, obtain the Association written agreement prior to assigning, amending, abrogating, or waiving the Project Operations Manual, or any provision thereof, or permitting any other entity participating in the implementation of the Project to do so.

5. In the event of any conflict between the provisions of the Project Operations Manual and those of the Financing Agreement or the Project Agreement, the provisions of the Financing Agreement or the Project Agreement shall prevail, in that order.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set out in the Project Operations Manual. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty-five (45) days after the end of the period covered by such report.
2. No later than thirty (30) months after the Effective Date, or such other period as may be agreed with the Association, the Recipient shall carry out jointly with the Association and the Project Implementing Entity, a mid-term review of the Project (the "Mid-term Review") to assess the status of Project implementation, as measured against the indicators referred to in Section II.A.1 immediately above, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (i) overall progress in implementation; (ii) results of monitoring and evaluation activities; (iii) progress on procurement and disbursement; (iv) progress on implementation of safeguards measures; (v) implementation arrangements and Project staff turnover; and (vi) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall, or shall cause the Project Implementing Entity to:
 - (a) 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.A.1 of this Schedule, 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 objective thereof during the period following such date; and
 - (b) review jointly with the Association and the Project Implementing Entity 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 objective thereof, based on the conclusions and recommendations of such report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than forty-five (45) days after the end of each calendar semester, interim unaudited financial reports for the Project covering the semester, in form and substance satisfactory to the Association.
3. The Recipient shall have its Financial Statements audited in accordance with the provisions of Section 4.09 (b) of the General Conditions. Each audit of the Financial Statements shall cover the period of one fiscal year of the Recipient, commencing with the fiscal year in which the first withdrawal was made under the Preparation Advance for the Project. The audited Financial Statements for each such period shall be furnished to the Association not later than six months after the end of such period.

Section III. Procurement

All goods, works, non-consulting services and consulting services required for the Project and to be financed out of the proceeds of the Financing shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations and the provisions of the Procurement Plan.

Section IV. Withdrawal of the Proceeds of the Financing

A. General

1. The Recipient may withdraw the proceeds of the Financing in accordance with the provisions of Article II of the General Conditions, this Section, and such additional instructions as the Association shall specify by notice to the Recipient (including the “World Bank Disbursement Guidelines for Investment Project Financing” dated February 2017, as revised from time to time by the Association and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the table in paragraph 2 below.
2. The following table specifies the categories of Eligible Expenditures that may be financed out of the proceeds of the Financing (“Category”), the allocations of the amounts of the Financing to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, and consulting services for sub-components 1(a) and 3(b) of the Project including Incremental Operating Costs and Training	11,450,000	100%
(2) Goods, works, non-consulting services, and consulting services for sub-component 1(b)(i), Component 2 and sub-component 3(a) of the Project, including Incremental Operating Costs and Training	2,890,000	100%
(3) Refund of Preparation Advance	460,000	Amount payable pursuant to Section 2.07 of the General Conditions
TOTAL AMOUNT	14,800,000	

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 date of this Agreement except:

(a) under Category 1, until such date when:

(i) the legal agreements for the provision of the FSM IDA Financing shall have become effective and all conditions to the disbursement of the funds allocated to the construction of the EMC under such legal agreements shall have been satisfied (except for the condition in Section IV.B.1(a) of this Schedule if it is condition a condition of effectiveness or disbursement in the Financing Agreement for the FSM IDA Financing);

(ii) the Co-financing Agreement shall have become effective and all conditions to the disbursement of the funds allocated to the construction of the EMC under the Co-financing Agreement shall have been satisfied (except for the

condition in Section IV.B.1(a) of this Schedule if it is condition a condition of effectiveness or disbursement in the Co-financing Agreement);

(iii) the Association and the ADB have entered into a memorandum of understanding setting forth the joint arrangements for the implementation of Component 1(a) of the Project;

(iv) the National Cable Operator: (A) has been established in accordance with the provisions of Section I.B.1 of Schedule 2 to this Agreement; (B) has entered into the Project Agreement with the Association in accordance with Section I.B.1(b)(i) of Schedule 2 to this Agreement, the Subsidiary Agreement in accordance with Section I.B.1(b)(ii) of Schedule 2 to this Agreement, and the Construction and Maintenance Agreement in accordance with the provisions of Section I.B.2 of Schedule 2 to this Agreement and such Construction and Maintenance Agreement has become effective (except for the condition that the funds of Category 1 be available for disbursement if this is a condition of effectiveness of the Construction and Maintenance Agreement); and

(v) the Association has received a legal opinion or opinions in form and substance satisfactory to the Association of counsel acceptable to the Association, or if the Association so requests, a certificate or certificates satisfactory to the Association of a competent official or officials, showing the following matters: (A) on behalf of the Recipient and with respect to the Subsidiary Agreement, that such agreement has been duly authorized by, and executed and delivered on behalf of, the Recipient and is legally binding upon it in accordance with its terms; (B) with respect to the Project Implementing Entity, that it has been duly established in accordance with the laws and regulations of the Recipient, and is duly authorized to carry out its activities, has received all Licenses and Permits required under the laws and regulations applicable on the Recipient's territory to allow it to carry out its activities as planned under, and in the arrangements referred to in, this Agreement and the Project Agreement; and (C) on behalf of the Project Implementing Entity and with respect to each of the Construction and Maintenance Agreement, the Subsidiary Agreement and the Project Agreement, that such agreement has been duly authorized by, and executed and delivered on behalf of, the Project Implementing Entity and is legally binding upon it in accordance with its terms.

2. The Closing Date is November 30, 2022.

APPENDIX

Definitions

1. “Anti-Corruption Guidelines” means 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.
2. “Association Policies” means, collectively, but only if and to the extent that they are applicable to the Project activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.07 (Water Resources Management), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams), contained in the Association’s Operational Manual which can be found on the Association’s website at www.worldbank.org.
3. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
4. “Co-financier” means Asian Development Bank, and is referred to in Paragraph (B)(a) of the Preamble.
5. “Co-financing” means, for purposes of paragraph 11 of the Appendix to the General Conditions, an amount of \$15,000,000, to be provided by the Co-financier to assist in financing the EMC.
6. “Co-financing Agreement” means, collectively, the agreement entered or to be entered into between Nauru and the Co-financier providing for the Co-financing as well as any ancillary agreement entered into for the implementation of the activities financed from the proceeds of the Co-financing.
7. “Communication Commission of Kiribati” means the Recipient’s commission established to implement and enforce the provision of the Telecom Legislation, including the granting and management of licenses, telephone numbers, radio spectrum assignments and sale and registration of the .ki domaine names.
8. “Construction and Maintenance Agreement” has the meaning ascribed to it in Section I.B.2(a) of Schedule 2 to this Agreement.
9. “EMC” has the meaning ascribed to it in Paragraph (A) of the Preamble.
10. “Environmental and Social Impact Assessment” means the Borrower’s document entitled “*Environmental & Social Impact Assessment – East Micronesia Cable Project*” and dated January 2017 which contains, *inter alia*, a description of the

Project, its political, legal and administrative framework in Kiribati, Kosrae and Nauru, a description of its environment, an analysis of possible alternatives, an assessment of its potential impacts, risk and mitigation measures, as well as an Environmental and Social Management Plan and a grievance redress mechanism, including any appendices thereto; as such document may be amended from time to time but only in accordance with the provisions of Section I.D.3 of Schedule 2 to this Agreement.

11. “Environmental and Social Management Plan” means the Recipient’s environmental and social management plan included in Section 8 of the Environmental and Social Impact Assessment.
12. “FSM” has the meaning ascribed to it in Paragraph (A) of the Preamble.
13. “FSM IDA Financing” has the meaning ascribed to it in Paragraph (B)(b) of the Preamble.
14. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
15. “ICT” means information and communication technologies.
16. “Incremental Operating Costs” means the reasonable incremental operating costs of the Project incurred by the Recipient or the Project Implementing Entity for purposes of Project management, implementation, and monitoring and evaluation on account of office supplies and consumables, utilities, bank charges, communications, mass media and printing services, vehicle rental, operation, maintenance, and insurance, office space rental, building and equipment maintenance, domestic and international travel, lodging, and subsistence allowances, and salaries and salary supplements of contractual and temporary staff, but excluding salaries, salary supplements and overheads of members of the Recipient’s or the Project Implementing Entity’s civil service.
17. “Licenses” means collectively the license or licenses: (i) required under the laws of the Recipient for the purposes of owning, operating or offering services utilizing Project infrastructure, as the case may be; (ii) issued to the Recipient or the Project Implementing Entity; and (iii) guaranteeing open access on a transparent, cost-based and non-discriminatory basis in a manner satisfactory to the Association.
18. “MICTTD” means the Recipient’s ministry responsible for communications, or any successor thereto.
19. “Mid-term Review” means the review to be carried out in accordance with Section II.A.2 of Schedule 2 to this Agreement.

20. “National Cable Operator” means the legal entity to be established in accordance with Section I.B.1(a)(i) of Schedule 2 to this Agreement.
21. “Nauru” has the meaning ascribed to it in Paragraph (A) of the Preamble.
22. “Outer Islands of Kiribati” means, collectively, the islands of Kiribati excluding South Tarawa.
23. “Participating Countries” has the meaning ascribed to it in Paragraph (A) of the Preamble.
24. “Permits” means, collectively, the following permits, consents and authorizations with respect to the Project: (i) local authority construction permits for the cable landing station; (ii) any customary land clearances if the cable traverses such customary land; and (iii) marine and environmental permits for the route of the cable into territorial waters and on to shore.
25. “Preparation Advance” means the advance referred to in Section 2.07 of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on October 7, 2016 and on behalf of the Recipient on October 17, 2016.
26. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated February 27, 2017 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the Association.
27. “Procurement Regulations” means the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, dated July 1, 2016.
28. “Project Agreement” means the agreement to be entered into between the Project Implementing Entity and the Association and referred to in Section I.B.1(b)(i) of Schedule 2 to this Agreement.
29. “Project Implementing Entity” means the National Cable Operator.
30. “Project Operations Manual” means the manual to be adopted pursuant to Section I.E.1 in accordance with Section I.E.2 of Schedule 2 to this Agreement.
31. “Project Implementing Entity’s Constitutive Documents” means, collectively, the regulations, rules, instruments, contracts, agreements, and certificates thereto, which shall establish, operationalize and govern the Project Implementing Entity, as a duly established entity allowed to carry out its activities as planned under, and in the arrangements referred to in, this Agreement and the Project Agreement, all in accordance with the laws of the Recipient.

32. "Project Management Unit" or "PMU" means, the unit established by the Recipient, in accordance with and referred to in Section I.A.2 of Schedule 2 to this Agreement.
33. "Respective Part of the Project" means, when referring to the Project Implementing Entity's Respective Part of the Project, collectively, sub-components 1(a) and 3(b) of the Project.
34. "Safeguard Documents" means the Environmental and Social Impact Assessment and the Environmental and Social Management Plan included therein.
35. "Steering Committee for the EMC" or "SC" means, the committee established by the Recipient, Nauru and FSM, pursuant to a Memorandum of Agreement between the Participating Countries dated November 22, 2016 and referred to in Section I.A.1 of Schedule 2 to this Agreement.
36. "Strategic Asset Management Plan" means the plan to be designed pursuant to Section I.B.4(a) of Schedule 2 to this Agreement.
37. "Subsidiary Agreement" means the agreement referred to in Section I.B.1(b)(ii) of Schedule 2 to this Agreement pursuant to which the Recipient shall make the Unwithdrawn Financing Balance available to the Project Implementing Entity.
38. "Telecommunications Legislation" means the Recipient's Communications Act, 2012.
39. "Training" means the reasonable cost of trainings, seminars and workshops, conferences and study tours, conducted in the territory of the Borrower, including: (i) the fees of training institutions and courses; (ii) domestic travel costs, lodging costs, and subsistence/per diem allowances both for trainers and trainees; (iii) the rental of training facilities; and (iv) preparation, purchase or reproduction of training materials.