

CONFORMED COPY

GEF TRUST FUND GRANT NUMBER TF056267

Global Environment Facility Trust Fund Grant Agreement

(Kiribati Adaptation Project – Implementation Phase (KAP-II))

between

REPUBLIC OF KIRIBATI

and

**INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT**

acting as an Implementing Agency of the Global Environment Facility

Dated June 13, 2006

GEF TRUST FUND GRANT NUMBER TF056267

**GLOBAL ENVIRONMENT FACILITY
TRUST FUND GRANT AGREEMENT**

AGREEMENT, dated June 13, 2006, between REPUBLIC OF KIRIBATI (the Recipient) and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT (the Bank) acting as an implementing agency of the Global Environment Facility (GEF) in respect of grant funds provided to the GEF Trust Fund by certain members of the Bank as participants of the GEF.

WHEREAS (A) the Bank, pursuant to Resolution No. 91-5 of March 14, 1991 of the Executive Directors of the Bank, established the GEF to assist in the protection of the global environment and promote thereby environmentally sound and sustainable economic development;

(B) following the restructuring of the GEF, such arrangements continued in place on the basis set forth in Resolution No. 94-2 of May 24, 1994, of the Executive Directors of the Bank which, inter alia, established the GEF Trust Fund and appointed the Bank as trustee of the GEF Trust Fund (Resolution 94-2);

(C) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 2 to this Agreement (the Project), has requested assistance from the resources of the GEF Trust Fund for funding the Project, and said request having been approved in accordance with the provisions of the Instrument for the Establishment of the Restructured Global Environment Facility approved under Resolution 94-2;

(D) the Recipient has also requested the Australian Agency for International Development (“AusAID”) to provide additional financing to support Part C (Freshwater Resources) of the Project and by an administration agreement dated November 25, 2005, AusAID has agreed to provide such assistance in the amount of two million Australian dollars (AUD2,000,000) (inclusive of administration fee) (the “AusAID Grant”);

(E) the Recipient has also requested the New Zealand Agency for International Development (“NZAID”) to provide additional financing to support Part B (Land Use, Physical Structures and Ecosystems), Part D (Capacity at Island and Community Level) and Part E (Project Management) of the Project and by an administration agreement dated May 4, 2006, NZAID has agreed to provide such assistance in the amount of approximately one million five hundred twenty four thousand three hundred New Zealand dollars (NZD1,524,300) (inclusive of administration fee) (the “NZAID Grant”);

(F) the Project will be carried out by the Office of Te Beretitenti through the Strategic National Policy and Risk Assessment Unit (“SNPRAU”);

WHEREAS the Bank has agreed, on the basis, inter alia, of the foregoing, to extend the GEF Trust Fund Grant to the Recipient upon the terms and conditions set forth in this Agreement;

NOW THEREFORE, the parties hereto hereby agree as follows:

ARTICLE I

General Conditions; Definitions

Section 1.01. (a) The following provisions of the “General Conditions Applicable to Loan and Guarantee Agreements for Single Currency Loans” of the Bank, dated May 30, 1995 (as amended through May 1, 2004), with the modifications set forth in paragraph (b) of this Section (the General Conditions) constitute an integral part of this Agreement:

- (i) Article I;
 - (ii) Sections 2.01 (2), (3), (4), (5), (6), (7), (8), (14), (15), (16), (18) and (21), 2.02 and 2.03;
 - (iii) Section 3.01;
 - (iv) Sections 4.01 and 4.06;
 - (v) Article V;
 - (vi) Sections 6.01, 6.02 (c), (e), (f), (i), (l), (m), (n), (o) and (p), 6.03, 6.04 and 6.06;
 - (vii) Section 8.01 (b);
 - (viii) Sections 9.01 (a) and (c), 9.04, 9.05, 9.06, 9.07, 9.08 and 9.09;
 - (ix) Sections 10.01, 10.03 and 10.04;
 - (x) Article XI; and
 - (xi) Sections 12.01 (c), 12.03 and 12.04.
- (b) The General Conditions shall be modified as follows:
- (i) the term “Bank”, wherever used in the General Conditions, other than in Sections 2.01(6), 6.02(f) and 5.01(a) thereof, means the

Bank acting as an implementing agency of the GEF, except that in Section 6.02, the term “Bank” shall also include the Bank acting in its own capacity;

- (ii) the term “Borrower”, wherever used in the General Conditions, means the Recipient;
- (iii) the term “Loan Agreement”, wherever used in the General Conditions, means this Agreement;
- (iv) the term “Loan” and “loan”, wherever used in the General Conditions, means the GEF Trust Fund Grant;
- (v) the term “Loan Account”, wherever used in the General Conditions, means the GEF Trust Fund Grant Account;
- (vi) a new subparagraph is added after subparagraph (o) in Section 6.02 of the General Conditions, as follows: “an extraordinary situation shall have arisen in which any further disbursement under the GEF Trust Fund Grant would exceed the resources available for disbursement from the GEF.”;
- (vii) the words “corrupt or fraudulent” in paragraph (c) of Section 6.03 are replaced with the words “corrupt, fraudulent, collusive or coercive”.

Section 1.02. Wherever used in this Agreement, unless the context otherwise requires, the several terms defined in the General Conditions and in the Recitals to this Agreement have the respective meanings therein set forth and the following additional terms have the following meanings:

(a) “Annual Program of Activities” means the annual program of activities to be developed by the Recipient for approval by the Bank, which program will be shared with AusAID and NZAID, as further described in paragraph 7 of Schedule 4 to this Agreement;

(b) “DCC” means the Recipient’s Development Coordination Committee, a body composed of Secretaries of all government Ministries, chaired by the Secretary to the Cabinet, and any successor agency thereto;

(c) “Eligible Category” means Category 1 set forth in the table in Part A.1 of Schedule 1 to this Agreement;

(d) “Eligible Expenditures” means the expenditures for goods, works and consultants’ services referred to in Section 2.02 of this Agreement;

(e) “Financial Monitoring Report” or “FMR” means each report prepared in accordance with Section 4.02 of this Agreement;

(f) “Fiscal Year” means the Recipient’s fiscal year from January 1 through December 31 of each calendar year;

(g) “Implementing Agency” refers to each of the agencies of the Recipient described in paragraph 4 of Schedule 4 to this Agreement, as such list may be amended from time to time by the written agreement of the Bank;

(h) “MCTTD” means the Recipient’s Ministry of Communications, Transport and Tourism Development, and any successor agency thereto;

(i) “MELAD” means the Recipient’s Ministry of Environment, Lands and Agriculture Development, and any successor agency thereto;

(j) “MFMRD” means Recipient’s Ministry of Fisheries and Marine Resources Development, and any successor agency thereto;

(k) “MISA” means the Recipient’s Ministry of Internal and Social Affairs, and any successor agency thereto;

(l) “MPWU” means the Recipient’s Ministry of Public Works and Utilities, and any successor agency thereto;

(m) “Ministry Operational Plan”, with respect to each Implementing Agency, refers to governmental planning tool prepared annually by the relevant ministry of the Recipient’s government which incorporate the investments of the Project;

(n) “Office of Te Beretitenti” means the Office of the President of the Recipient;

(o) “Operations Manual” means the operations manual for the operation and implementation of the Project prepared by the Recipient and approved by the Bank as of the date of this Agreement, as the same may be amended from time to time with the written approval of the Bank;

(p) “Pilot Small Scale Outer Islands Investments Scheme” means the pilot small scale outer island adaptation investments scheme described in Part D(4) of Schedule 2 to this Agreement;

(q) “Pilot Small Scale Outer Islands Investments Scheme Procedures Manual” means the procedures manual for the use and accounting of funds under the Pilot Small Scale Outer Islands Investments Scheme prepared by the Recipient and

approved by the Bank as of the date of this Agreement, as the same may be amended from time to time with the written approval of the Bank;

(r) "PMU" means the Project Management Unit described in paragraph 1 of Schedule 4 to this Agreement;

(s) "Procurement Plan" means the Recipient's procurement plan, dated December 23, 2005, covering the initial 18 month period (or longer) of Project implementation, as the same shall be updated from time to time in accordance with the provisions of Section 3.02 to this Agreement, to cover succeeding 18 month periods (or longer) of Project implementation;

(t) "Project Implementation Plan" means the plan for implementation of the Project prepared by the Recipient and approved by the Bank as of the date of this Agreement, as the same may be updated from time to time in consultation with the Bank;

(u) "PUB" means the Recipient's Public Utilities Board, and any successor agency thereto;

(v) "Report-based Disbursements" means the Recipient's option for withdrawal of funds from the GEF Trust Fund Grant Account referred to in Part A.5 of Schedule 1 to this Agreement;

(w) "Special Account" means the account referred to in Section 2.02(b) of this Agreement; and

(x) "Steering Committee" means the steering committee for the Project described in paragraph 3 of Schedule 4 to this Agreement.

ARTICLE II

The GEF Trust Fund Grant

Section 2.01. The Bank agrees to make available to the Recipient, on the terms and conditions set forth or referred to in this Agreement, the GEF Trust Fund Grant in an amount equal to one million eight hundred thousand United States Dollars (\$1,800,000).

Section 2.02. (a) The amount of the GEF Trust Fund Grant may be withdrawn from the GEF Trust Fund Grant Account in accordance with the provisions of Schedule 1 to this Agreement to finance 100% of the reasonable cost of goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant, excluding taxes and duties.

(b) The Recipient may, for the purposes of each of: (i) Parts A, B, D and E of the Project; and (ii) Part C of the Project, open and maintain in Australian Dollars a

special deposit account in a bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment. Deposits into, and payments out of, the Special Account shall be made in accordance with the provisions of Schedule 1 to this Agreement.

Section 2.03. The Closing Date shall be December 31, 2009, or such later date as the Bank shall establish. The Bank shall promptly notify the Recipient of such later date.

ARTICLE III

Execution of the Project

Section 3.01. (a) The Recipient declares its commitment to the objectives of the Project as set forth in Schedule 2 to this Agreement and, to this end, shall carry out the Project through the Office of Te Beretitenti with due diligence and efficiency and in conformity with appropriate administrative, economic, financial, technical and administrative practices and with due regard to ecological and environmental factors, and shall provide, promptly as needed, the funds, facilities, services and other resources required for the Project.

(b) Without limitation upon the provisions of paragraph (a) of this Section and except as the Recipient and the Bank shall otherwise agree, the Recipient shall carry out the Project in accordance with the implementation program set forth in Schedule 4 to this Agreement.

Section 3.02. (a) Except as the Bank shall otherwise agree, procurement of the goods, works and services required for the Project and to be financed out of the proceeds of the GEF Trust Fund Grant shall be governed by the provisions of Schedule 3 to this Agreement, as said provisions may be further elaborated in the Procurement Plan.

(b) The Recipient shall update the Procurement Plan in accordance with guidelines acceptable to the Bank, and furnish such update to the Bank not later than 12 months after the date of the preceding Procurement Plan, for the Bank's approval.

Section 3.03. For the purposes of Section 9.08 of the General Conditions and without limitation thereto, the Recipient shall:

(a) prepare, on the basis of guidelines acceptable to the Bank, and furnish to the Bank not later than six months after the Closing Date or such later date as may be agreed for this purpose between the Recipient and the Bank, a plan for the future operation of the Project, including repair and maintenance of project facilities; and

(b) afford the Bank a reasonable opportunity to exchange views with the Recipient on said plan.

ARTICLE IV

Financial Covenants

Section 4.01. (a) The Recipient shall maintain a financial management system, including records and accounts, and prepare financial statements in accordance with consistently applied accounting standards acceptable to the Bank, adequate to reflect the operations, resources and expenditures related to the Project.

(b) The Recipient shall:

- (i) have the financial statements referred to in paragraph (a) of this Section for each fiscal year (or other period agreed to by the Bank), audited, in accordance with consistently applied auditing standards acceptable to the Bank, by independent auditors acceptable to the Bank;
- (ii) furnish to the Bank as soon as available, but in any case not later than six months after the end of each such year (or such other period agreed to by the Bank): (A) certified copies of the financial statements referred to in paragraph (a) of this Section for such year (or other period agreed to by the Bank), as so audited; and (B) an opinion on such statements by said auditors, in scope and detail satisfactory to the Bank; and
- (iii) furnish to the Bank such other information concerning such records and accounts, and the audit of such financial statements, and concerning said auditors, as the Bank may from time to time reasonably request.

(c) For all expenditures with respect to which withdrawals from the GEF Trust Fund Grant Account were made on the basis of reports referred to in Part A.5 of Schedule 1 to this Agreement (Report-based Disbursements) or on the basis of statements of expenditure, the Recipient shall:

- (i) retain, until at least one year after the Bank has received the audit report for, or covering, the fiscal year in which the last withdrawal from the GEF Trust Fund Grant Account was made, all records (contracts, orders, invoices, bills, receipts and other documents) evidencing such expenditures;
- (ii) enable the Bank's representatives to examine such records; and

- (iii) ensure that such reports and statements of expenditure are included in the audit for each fiscal year (or other period agreed to by the Bank), referred to in paragraph (b) of this Section.

Section 4.02. (a) Without limitation upon the Recipient's progress reporting obligations set forth in paragraphs 5 through 7 of Schedule 4 to this Grant Agreement, the Recipient shall prepare or cause the PMU to prepare and furnish to the Bank a financial monitoring report, in form and substance satisfactory to the Bank, which:

- (i) sets forth sources and uses of funds for the Project, both cumulatively and for the period covered by said report, showing separately funds provided under the GEF Trust Fund Grant, and explains variances between the actual and planned uses of such funds;
- (ii) describes physical progress in Project implementation, both cumulatively and for the period covered by said report, and explains variances between the actual and planned Project implementation; and
- (iii) sets forth the status of procurement under the Project, as at the end of the period covered by said report.

(b) The first FMR shall be furnished to the Bank not later than 45 days after the end of the first calendar quarter after the Effective Date, and shall cover the period from the incurrence of the first expenditure under the Project through the end of such first calendar quarter; thereafter, each FMR shall be furnished to the Bank not later than 45 days after each subsequent calendar quarter, and shall cover such calendar quarter.

ARTICLE V

Remedies of the Bank

Section 5.01. Pursuant to Section 6.02(p) of the General Conditions, the following additional events are specified, namely, that:

- (a) (i) Subject to subparagraph (ii) of this paragraph, the right of the Recipient to withdraw the proceeds of the AusAID Grant or the proposed NZAID Grant, following its execution, shall have been suspended, cancelled or terminated in whole or in part, pursuant to the terms of the agreement providing therefore.
- (ii) Subparagraph (i) of this paragraph shall not apply if the Recipient establishes to the satisfaction of the Bank that: (A) such suspension, cancellation or termination is not caused by the

failure of the Recipient to perform any of its obligations under such agreement; and (B) adequate funds for the Project are available to the Recipient from other sources on terms and conditions consistent with the obligations of the Recipient under this Agreement.

ARTICLE VI

Effectiveness; Termination

Section 6.01. The following events are specified as additional conditions to the effectiveness of the GEF Trust Fund Grant within the meaning of Section 12.01 (c) of the General Conditions:

(a) the Recipient, through DCC, shall have approved the Project and its incorporation into the fiscal year 2006 budget; and

(b) the Recipient, through DCC, shall have adopted the Project Implementation Plan, the Operations Manual, and the Pilot Small Scale Outer Islands Investments Scheme Procedures Manual, in each case acceptable to the Bank.

Section 6.02. The date ninety (90) days after the date of this Agreement is hereby specified for the purposes of Section 12.04 of the General Conditions.

Section 6.03. This Agreement shall continue in effect until the GEF Trust Fund Grant has been fully disbursed and the parties to this Agreement have fulfilled their obligations hereunder.

ARTICLE VII

Representative of the Recipient; Addresses

Section 7.01. The Minister for Finance and Economic Development of the Recipient, or such person as he or she may designate in writing, is designated as representative of the Recipient for the purposes of Section 11.03 of the General Conditions.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the General Conditions:

For the Recipient:

Government of Kiribati
Ministry of Finance and Economic Development
P.O. Box 67, Bairiki, Tarawa
Telephone: (686) 21802

Cable Address:	Facsimile:
MINFIN	(686) 21307

For the Bank:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America

Cable address:	Telex:	Facsimile:
INTBAFRAD Washington, D.C.	248423 (MCI) 64145 (MCI)	(202) 477-6391

IN WITNESS WHEREOF, the parties hereto, acting through their duly authorized representatives, have caused this Agreement to be signed in their respective names in Sydney, Australia and Tarawa, Republic of Kiribati, as of the day and year first above written.

REPUBLIC OF KIRIBATI

By /s/ Nabuti Mwemwenikarawa

Authorized Representative

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
as an Implementing Agency of the Global Environment Facility

By /s/ Xian Zhu

Authorized Representative

SCHEDULE 1

Withdrawal of the Proceeds of the GEF Trust Fund Grant

A. General

1. The table below sets forth the Category of items to be financed out of the proceeds of the GEF Trust Fund Grant, the allocation of the amounts of the GEF Trust Fund Grant to the Category and the percentage of expenditures for items so to be financed in the Category:

Category	Amount of the Trust Fund Grant Allocated	% of Expenditures to be Financed*
(1) Goods, works and services under Parts A, B, D, and E of the Project	\$1,800,000	100%

*Exclusive of customs duties and taxes. The Recipient shall maintain exemption of goods, works and services for the Project from taxes and duties, as agreed by letter dated December 9, 2005 from the Office of Te Beretitenti, until completion of the Project.

2. Notwithstanding the provisions of paragraph 1 above, no withdrawals shall be made from the GEF Trust Fund Grant Account: (i) in respect of payments made for expenditures prior to the date of this Agreement; (ii) on account of payments for any taxes levied by or in the territory of the Recipient; or (iii) for the purpose of any payment to persons or entities, or for any import of goods, if such payment or import, to the Bank's knowledge, is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations. The Recipient shall include a provision corresponding to this subparagraph (a)(ii) in any sub-grant agreements pursuant to which the Recipient makes any proceeds of the Grant available to other entities.

3. The Bank may require withdrawals from the GEF Trust Fund Grant Account to be made on the basis of statements of expenditures under contracts for: (a) goods costing less than \$100,000 equivalent per contract; (b) works costing less than \$100,000 equivalent per contract; (c) services of individual consultants costing less than \$50,000 equivalent per contract; and (d) services of consulting firms costing less than \$50,000 equivalent per contract, all under such terms and conditions as the Bank shall specify by notice to the Recipient.

4. If the Bank shall have determined at any time that any amount of the GEF Trust Fund Grant was used in a manner inconsistent with the provisions of this Agreement, the

Recipient shall, promptly upon notice from the Bank, refund to the Bank for deposit into the GEF Trust Fund Grant Account, an amount equal to the amount so used.

5. The Recipient may request withdrawals from the GEF Trust Fund Grant Account to be made on the basis of reports to be submitted to the Bank in form and substance satisfactory to the Bank, such reports to include the financial monitoring report (FMR) and any other information as the Bank shall specify by notice to the Recipient (Report-based Disbursements), beginning with the first withdrawal that the Recipient may request from the GEF Trust Fund Grant Account on or after the twelve-month anniversary of the date of this Agreement or such later date as the Bank shall notify to the Recipient. In the case of the first such request submitted to the Bank before any withdrawal has been made from the GEF Trust Fund Grant Account, the Recipient shall submit to the Bank only a statement with the projected sources and applications of funds for the Project for the six-month period following the date of such request.

B. Special Account

1. The Recipient may open and maintain in Australian Dollars a special deposit account in a bank acceptable to the Bank, on terms and conditions satisfactory to the Bank, including appropriate protection against set-off, seizure and attachment.

2. After the Bank has received evidence satisfactory to it that the Special Account has been opened, withdrawals from the GEF Trust Fund Grant Account of amounts to be deposited into the Special Account shall be made as follows:

(a) if the Recipient is not making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex A to this Schedule 1; and

(b) if the Recipient is making Report-based Disbursements, withdrawals shall be made in accordance with the provisions of Annex B to this Schedule 1.

3. Payments out of the Special Account shall be made exclusively for Eligible Expenditures. For each payment made by the Recipient out of the Special Account, the Recipient shall, at such time as the Bank shall reasonably request, furnish to the Bank such documents and other evidence showing that such payment was made exclusively for Eligible Expenditures.

4. Notwithstanding the provisions of Part B.2 of this Schedule, the Bank shall not be required to make further deposits of the proceeds of the GEF Trust Fund Grant Account into the Special Account:

(a) if the Bank, at any time, is not satisfied that the reports referred to in Part A.5 of this Schedule 1 adequately provide the information required for Report-based Disbursements;

(b) if the Bank determines at any time that all further withdrawals for payment of Eligible Expenditures should be made by the Recipient directly from the GEF Trust Fund Grant Account; or

(c) if the Recipient shall have failed to furnish to the Bank, within the period of time specified in Section 4.01 (b) (ii) of this Agreement, any of the audit reports required to be furnished to the Bank pursuant to said Section in respect of the audit of: (A) the records and accounts for the Special Account; or (B) the records and accounts reflecting expenditures with respect to which withdrawals were Report-based Disbursements or were made on the basis of statements of expenditure, as the case may be.

5. The Bank shall not be required to make further deposits into the Special Account in accordance with the provisions of Part B.2 of this Schedule if, at any time, the Bank shall have notified the Recipient of its intention to suspend in whole or in part the right of the Recipient to make withdrawals from the GEF Trust Fund Grant Account pursuant to Section 6.02 of the General Conditions. Upon such notification, the Bank shall determine, in its sole discretion, whether further deposits into the Special Account may be made and what procedures should be followed for making such deposits, and shall notify the Recipient of its determination.

6. (a) If the Bank determines at any time that any payment out of the Special Account was made for an expenditure which is not an Eligible Expenditure, or was not justified by the evidence furnished to the Bank, the Recipient shall, promptly upon notice from the Bank, provide such additional evidence as the Bank may request, or deposit into the Special Account (or, if the Bank shall so request, refund to the Bank) an amount equal to the amount of such payment. Unless the Bank shall otherwise agree, no further deposit by the Bank into the Special Account shall be made until the Recipient has provided such evidence or made such deposit or refund, as the case may be.

(b) If the Bank determines at any time that any amount outstanding in the Special Account will not be required to cover payments for Eligible Expenditures during the six-month period following such determination, the Recipient shall, promptly upon notice from the Bank, refund to the Bank such outstanding amount.

(c) The Recipient may, upon notice to the Bank, refund to the Bank all or any portion of the funds on deposit in the Special Account.

(d) Refunds to the Bank made pursuant to subparagraph (a), (b) or (c) of this paragraph 6 shall be credited to the GEF Trust Fund Grant Account for subsequent withdrawal or for cancellation in accordance with the provisions of the GEF Trust Fund Grant Agreement.

**Annex A
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are Not
Report-based Disbursements**

1. For the purposes of this Annex, the term “Authorized Allocation” means the amount of three hundred thousand Australian Dollars (AUD300,000) to be withdrawn from the GEF Trust Fund Grant Account and deposited into the Special Account pursuant to paragraph 2 of this Annex.
2. Withdrawals of the Authorized Allocation and subsequent withdrawals to replenish the Special Account shall be made as follows:
 - (a) For withdrawals of the Authorized Allocation, the Recipient shall furnish to the Bank a request or requests for deposit into the Special Account of an amount or amounts which in the aggregate do not exceed the Authorized Allocation. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested.
 - (b) For replenishment of the Special Account, the Recipient shall furnish to the Bank requests for deposit into the Special Account at such intervals as the Bank shall specify. Prior to or at the time of each such request, the Recipient shall furnish to the Bank the documents and other evidence required pursuant to Part B.3 of Schedule 1 to this Agreement for the payment or payments in respect of which replenishment is requested. On the basis of each such request, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account such amount as the Recipient shall have requested and as shall have been shown by said documents and other evidence to have been paid out of the Special Account for Eligible Expenditures. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the Eligible Category.
3. The Bank shall not be required to make further deposits into the Special Account, once the total unwithdrawn amount of the GEF Trust Fund Grant minus the total amount of all outstanding special commitments entered into by the Bank pursuant to Section 5.02 of the General Conditions shall equal the equivalent of twice the amount of the Authorized Allocation. Thereafter, withdrawal from the GEF Trust Fund Grant Account of the remaining unwithdrawn amount of the GEF Trust Fund Grant shall follow such procedures as the Bank shall specify by notice to the Recipient. Such further withdrawals shall be made only after and to the extent that the Bank shall have been satisfied that all such amounts remaining on deposit in the Special Account as of the date of such notice will be utilized in making payments for Eligible Expenditures.

**Annex B
to
SCHEDULE 1**

**Operation of Special Account
When Withdrawals Are
Report-based Disbursements**

1. Withdrawals from the GEF Trust Fund Grant Account shall be deposited by the Bank into the Special Account in accordance with the provisions of Schedule 1 to this Agreement. Each such deposit into the Special Account shall be withdrawn by the Bank from the GEF Trust Fund Grant Account under the Eligible Category.

2. Upon receipt of each application for withdrawal of an amount of the GEF Trust Fund Grant, the Bank shall, on behalf of the Recipient, withdraw from the GEF Trust Fund Grant Account and deposit into the Special Account an amount equal to the lesser of: (a) the amount so requested; and (b) the amount which the Bank has determined, based on the reports referred to in Part A.5 of this Schedule 1 applicable to such withdrawal application, is required to be deposited in order to finance Eligible Expenditures during the six-month period following the date of such reports.

SCHEDULE 2

Description of the Project

The objectives of the Project are to: (i) develop and demonstrate the systematic diagnosis of climate-related problems and the design of cost-effective adaptation measures in Kiribati; and (ii) continue the integration of climate risk awareness and responsiveness into economic and operation planning by the Recipient.

The Project consists of the following parts, subject to such modifications thereof as the Recipient and the Bank may agree upon from time to time to achieve such objectives.

Part A: Policy, Planning and Information for Climate Change Adaptation

1. Frameworks and Processes for Participation and Awareness: reviewing and redesigning frameworks and processes for participation and awareness building at national and local levels for climate change adaptation issues.
2. National Consultation, Participation and Awareness: (a) undertaking two-yearly national consultations; (b) holding climate change adaptation participatory events; (c) issuing newsletters, media releases and educational materials; and (d) undertaking an annual survey of public attitude and awareness.
3. Policy Coordination and Planning: (a) providing capacity building support for SNPRAU for policy coordination and planning for climate change adaptation including development of risk diagnosis and response processes; (b) developing policy options for integrating climate change adaptation into outer island development growth center planning and supporting coordinating committees; (c) assisting MELAD to develop systems to produce baseline and up-dating procedures for climate risk management; and (d) assisting MCTTD to develop climate monitoring systems.

Part B: Land Use, Physical Structures and Ecosystems

1. Integrating Climate Change Adaptation into Land Use Policies: (a) supporting monitoring and measurement of beach mining activities; (b) reviewing, and modifying as necessary, existing land use regulation; and (c) supporting effective co-ordination between national and local governments.
2. Improving Protection of Public Assets: (a) building capacity at MPWU to develop a systematic risk analysis and design parameters for coastal hazard protection; and (b) applying such parameters for selected public assets in South Tarawa, in each case taking into consideration climate change adaptation.

3. **Monitoring and Sustaining Coastal Ecosystems:** assisting MELAD and MFMRD to develop and equip monitoring systems to analyze data and plan systematic responses to support threatened ecosystems.

Part C: Freshwater Resources

1. **National Water Policy and Standards Updates and Capacity Building:** (a) assisting MPWU to develop a national water policy; (b) strengthening the capacity of MPWU in water resources management, including water resources assessment; (c) updating national building codes; and (d) developing and promoting guidelines on rainwater storage and usage, through the provision of advisory services.

2. **Water Planning, Remedial Actions, and Pilot Projects:** (a) assisting MPWU and PUB to prepare a water meter plan for Tarawa; (b) carrying out two water resources assessment in Temaiku and N. Tarawa; (c) implementing leakage detection and rehabilitation of the Betio water supply network and household plumbing; (d) designing and installing rainwater collection storage facilities at government and community buildings; (e) carrying out an artificial island freshwater feasibility study; and (f) piloting studies on rainwater collection for groundwater recharge, through the provision of advisory services.

3. **Outer Islands Assessment and Water System Upgrades:** (a) undertaking water resources assessments for five to ten villages in outer islands; (b) implementing water supply system improvements in five to ten villages in outer islands; and (c) promoting non-polluting rainwater collection and storage and sanitation systems in the households of outer islands through the provision of community development grants.

Part D: Capacity at Island and Community Level for Climate Change Adaptation

1. **Local Consultations and Participatory Risk Assessments:** supporting local consultations and participatory risk assessments for climate change adaptation, including through MISA and MELAD.

2. **Training in Local Government Climate Change Adaptation Roles and Responses:** training local government staff in climate change adaptation rules and responses.

3. **Inclusion of climate change vulnerability in GIS-based outer island profiles.**

4. **Pilot Small Scale Outer Island Investment Schemes:** providing grants administered by MISA (“Pilot Small Scale Outer Islands Investments Scheme”) for climate change adaptation investments by communities in two pilot small scale outer islands (Tamana and North Tarawa).

Part E: Project Management

1. Operation of PMU: supporting transition of the existing Kiribati Adaptation Program office operation and provide additional training on procurement procedures.
2. Supporting development of the Annual Program of Activities.
3. Review: supporting mid-term and end-of-project review.

The Project is expected to be completed by June 30, 2009.

SCHEDULE 3

Procurement

Section I. General

A. All goods, works and services (other than consultants' services) shall be procured in accordance with the provisions of Section I of the "Guidelines: Procurement under IBRD Loans and IDA Credits" dated May 2004 (the Procurement Guidelines), and with the provisions of this Schedule.

B. All consultants' services shall be procured in accordance with Sections I and IV of the "Guidelines: Selection and Employment of Consultants by World Bank Borrowers" dated May 2004 (the Consultant Guidelines), and with the provisions of this Schedule.

C. The capitalized terms used below in this Schedule to describe particular procurement methods or methods of review by the Bank of particular contracts, have the meanings ascribed to them in the Procurement Guidelines, or Consultant Guidelines, as the case may be.

Section II. Particular Methods of Procurement of Goods, Works and Services (other than Consultants' Services)

A. International Competitive Bidding. Except as otherwise provided in Part B of this Section, contracts shall be awarded on the basis of International Competitive Bidding.

B. Other Procurement Procedures

1. National Competitive Bidding. Goods estimated to cost more than \$50,000 but less than \$100,000 equivalent per contract and works estimated to cost more than \$50,000 but less than \$100,000 equivalent per contract, may be procured under contracts awarded on the basis of National Competitive Bidding.

2. Shopping. Goods estimated to cost less than \$50,000 equivalent per contract and small works for rainwater collection and storage facilities at community buildings and rainwater collection for groundwater recharge estimated to cost less than \$50,000 equivalent per contract, may be procured under contracts awarded on the basis of Shopping.

3. Direct Contracting. Goods and works which the Bank agrees meet the requirements for Direct Contracting may be procured in accordance with the provisions of said procurement method.

4. Force Account. Works which the Bank agrees meet the requirements for Force Account may be carried out in accordance with the provisions of said procurement method.

5. Procurement from U.N. Agencies. Computers and related equipment in an aggregate amount not to exceed \$100,000 equivalent may be procured directly from the Inter-Agency Procurement Services of the United Nations (IAPSO) in accordance with the provisions of paragraphs 3.1 and 3.9 of the Procurement Guidelines.

6. Pilot Small Scale Outer Islands Investments Scheme. Goods and works required for the Pilot Small Scale Outer Islands Investment Scheme grants program shall be procured in accordance with community participation procedures acceptable to the Bank, as set forth in the Pilot Small Scale Outer Islands Investments Scheme Procedures Manual.

Section III. Particular Methods of Procurement of Consultants' Services

A. Quality- and Cost-based Selection. Except as otherwise provided in Part B of this Section, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection. Short lists comprised entirely of national consultants will not be used.

B. Other Procedures

1. Selection Based on Consultants' Qualifications. Services estimated to cost less than \$200,000 equivalent per contract may be procured under contracts awarded in accordance with the provisions of paragraphs 3.1, 3.7 and 3.8 of the Consultant Guidelines.

2. Single Source Selection. Services for tasks in circumstances which meet the requirements of paragraph 3.10 of the Consultant Guidelines for Single Source Selection, may, with the Bank's prior agreement, be procured in accordance with the provisions of paragraphs 3.9 through 3.13 of the Consultant Guidelines.

3. Individual Consultants. Services for assignments that meet the requirements set forth in the first sentence of paragraph 5.1 of the Consultant Guidelines may be procured under contracts awarded to individual consultants in accordance with the provisions of paragraphs 5.2 through 5.3 of the Consultant Guidelines. Under the circumstances described in paragraph 5.4 of the Consultant Guidelines, such contracts may be awarded to individual consultants on a sole-source basis, subject to prior approval of the Bank.

Section IV. Review by the Bank of Procurement Decisions

The Procurement Plan shall set forth those contracts which shall be subject to the Bank's Prior Review. All other contracts shall be subject to Post Review by the Bank.

SCHEDULE 4

Implementation Program

1. The Recipient shall maintain until completion of the Project, the Project Management Unit (“PMU”) at the Strategic National Policy and Risk Assessment Unit, headed by a qualified and experienced manager, assigned with qualified staff in adequate numbers, including a procurement officer, an accountant, a project officer for monitoring and reporting and a project assistant, and provided with such powers, responsibilities, organization and funding as shall be required to enable it to carry out the administration, coordination, supervision, procurement, disbursement, accounting, financial and project management, and monitoring the implementation of the Project.
2. The Recipient shall maintain until completion of the Project overall coordination of the Project provided by the Office of Te Beretitenti through the Secretary to the Office of Te Beretitenti.
3. The Recipient shall maintain until completion of the Project a steering committee (“Steering Committee”) responsible for promoting and monitoring coordination among project activities across Implementing Agencies. The Steering Committee will be chaired by the Secretary for the Office of Te Beretitenti, and consist of senior officials from the implementing agencies, and representatives of Kiribati Association of NGOs (KANGO), Aia Mwaea Ainen Kiribati (national women’s association), the Council of Churches, and the Chamber of Commerce. The Steering Committee shall report to the DCC.
4. The Recipient shall ensure that each of the implementing agencies (“Implementing Agencies”) responsible for implementing project activities contained in their Ministry Operational Plans to be funded by the Project shall carry out such activities in accordance with this Agreement. Except as the Bank shall otherwise agree, the Implementing Agencies shall be MELAD, MPWU, MFMRD, MISA, MCTTD and the Office of Te Beretitenti.
5. The Recipient shall:
 - (a) maintain policies and procedures adequate to enable it to monitor and evaluate on an ongoing basis, in accordance with indicators satisfactory to the Bank, the carrying out of the Project and the achievement of the objectives thereof;
 - (b) prepare, under terms of reference satisfactory to the Bank, and furnish to the Bank, on or about January 15 and June 15 of each year commencing on January 15, 2007, a report integrating the results of the monitoring and evaluation activities performed pursuant to paragraph (a) of this Section, on the progress achieved in the carrying out of the Project during the period preceding the date of said report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof during the period following such date; and

(c) review with the Bank, by one month following the date of each report referred to in paragraph (b) of this Section (which reports will be shared with AusAID and NZAID), or such later date as the Bank shall request, the report referred to in paragraph (b) of this Section, and, thereafter, take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of the said report and the Bank's views on the matter.

6. The Recipient shall maintain a parallel management information system acceptable to the Bank to ensure adequate financial management, budget reporting and reconciliations until completion of the Project.

7. The Recipient shall prepare and submit to the Bank by January 15 of each year of Project implementation, a program of activities expected to be implemented under the Project in the upcoming year (the "Annual Program of Activities"). Each such Annual Program of Activities shall be based on, and shall attach, the procurement plan as updated for such year. Each Annual Program of Activities shall be subject to Bank approval prior to implementation of Project activities for the relevant year.

8. The Recipient shall take all measures necessary to ensure that the Project is implemented in compliance with the strategic environmental assessment dated November 22, 2005, the land acquisition and resettlement policy framework dated November 22, 2005, the Project Implementation Plan, and the Operations Manual, in each case in a manner acceptable to the Bank. The Recipient shall ensure that the Operations Manual is not amended without the written concurrence of the Bank.

9. The Recipient shall ensure that the Pilot Small Scale Outer Islands Investments Scheme is implemented in accordance with the Pilot Small Scale Outer Islands Investments Scheme Procedures Manual acceptable to the Bank, including: (i) identification of proposed projects by communities with demonstration of wide stakeholder consultation; (ii) a survey of each proposed project to identify the likely impact of the proposed project with respect to land acquisition and resettlement and preparation of a resettlement action plan for the proposed project, as required; (iii) the preparation of an environmental impact assessment for the proposed project, and if required, an environmental management plan; (iv) proposed project cost estimates and systems for accounting for the funds; and (v) a plan for monitoring and evaluation of the proposed project. The Recipient shall ensure that the Pilot Small Scale Outer Islands Investment Scheme Procedures Manual is not amended without the written approval of the Bank.

10. The Recipient shall coordinate implementation of other activities in its overall climate change adaptation program with the Project and facilitate exchange of information with respect thereto, including with respect to the AusAID Grant and the proposed NZAID Grant.

11. The Recipient shall maintain exemption of goods, works and services for the Project from taxes and duties, as agreed by letter dated December 9, 2005, from the Office of Te Beretitenti, until completion of the Project.