



CREDIT NUMBER 5632-VL

Financing Agreement

(Vanuatu Aviation Investment Project)

between

REPUBLIC OF VANUATU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated *June 3*, 2015

FINANCING AGREEMENT

AGREEMENT dated *June 3*, 2015, entered into between the REPUBLIC OF VANUATU ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Program Countries and PASO wish to carry out a regional program of aviation investments in a coordinated manner with financing provided by the Association and other donors; and

(B) the Recipient has also requested the Association, acting as administrator of grant funds provided under the Pacific Region Infrastructure Facility ("PRIF") multi-donor trust fund, to provide additional assistance towards the financing of the Project (as defined in the Appendix to this Agreement), and the Association, acting as administrator of grant funds provided under the PRIF multi-donor trust fund, has agreed to make available to the Recipient from the PRIF a grant in an amount of three hundred thousand Dollars (US\$300,000) to assist in the financing of Part B.2 of the Project, pursuant to an agreement to be entered into between the Recipient and the Association ("PRIF Grant Agreement").

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 credit in an amount equivalent to forty two million three hundred thousand Special Drawing Rights (SDR 42,300,000 (variously, "Credit" and "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 The Service Charge payable by the Recipient on the Withdrawn Credit Balance shall be equal to three-fourths of one percent (3/4 of 1%) per annum.
- 2.05. The Payment Dates are April 15 and October 15 in each year.
- 2.06. The principal amount of the Credit shall be repaid in accordance with the repayment schedule set forth in Schedule 3 to this Agreement.
- 2.07. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project and the Program. To this end, the Recipient shall carry out the Project through the Ministry of Infrastructure and Public Utilities (“MIPU”) in accordance with the provisions of Article IV of the General Conditions, the Project Implementation Agreement and the TFSU Service 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 ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

ARTICLE IV — EFFECTIVENESS; TERMINATION

- 4.01. The Additional Conditions of Effectiveness consist of the following:
 - (a) The Project Implementation Agreement has been executed on behalf of the Recipient and AVL, in form and substance acceptable to the Association.

- (b) The TFSU Service Agreement has been executed on behalf of the Recipient, AVL and Tonga Airports Limited, in form and substance acceptable to the Association.
- 4.02. The Additional Legal Matter consists of the following, namely that the Project Implementation Agreement has been duly authorized or ratified by the Recipient and AVL and is legally binding upon the parties in accordance with its terms.
- 4.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 4.04. 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 (20) years after the date of this Agreement.

ARTICLE 17 — REPRESENTATIVE; ADDRESSES

- 5.01. The Recipient's Representative is its Minister of Finance and Economic Management.
- 5.02. The Recipient's Address is:
- 5.03. The Association's Address is:

Ministry of Finance and Economic Management
PMB 9058
Port Vila
Republic of Vanuatu

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

| | | |
|-----------------------------|--------------|----------------|
| Cable: | Telex: | Facsimile: |
| INDEVAS Washington, D.C. | 248423 (MCI) | 1-202-477-6391 |

AGREED at Port Vila, Vanuatu, as of the
day and year first above written.

REPUBLIC OF VANUATU

By



[Signature]
Authorized Representative

Name: Hon MARI SIMEREM

Title: MINISTER OF FINANCE AND
ECONOMIC MANAGEMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

[Signature]
Authorized Representative

Name: FRANZ R. DREES-GROSS

Title: COUNTRY DIRECTOR, PACIFIC

SCHEDULE 1

Project Description

The objective of the Project is to improve the operational safety and oversight of international air transport and associated infrastructure in the Recipient's territory.

The Project is part of the Program and consists of the following parts:

Part A: International Airport Infrastructure Investments

Carrying out of aviation infrastructure investments at the Recipient's international airports, including:

- (a) rehabilitation and/or resurfacing of airport runway, apron and taxiway pavements at Bauerfield International Airport;
- (b) extension of the apron area at Bauerfield International Airport;
- (c) construction of new taxiways and widening of the existing taxiway at Bauerfield International Airport;
- (d) (i) upgrading of airport runway lighting and cabling at Pekoia International Airport, Bauerfield International Airport and Whitegrass International Airport; and (ii) installation of approach lighting at Bauerfield International Airport;
- (e) construction of a new domestic terminal, and demolition of the existing domestic terminal, at Bauerfield International Airport;
- (f) provision of air traffic control equipment at Bauerfield International Airport and Pekoia International Airport;
- (g) provision and installation of aviation navigation aids;
- (h) provision and installation of weather monitoring equipment at Bauerfield International Airport and Whitegrass International Airport;
- (i) upgrading of communications equipment and systems;
- (j) provision and installation of VSAT communications systems at Pekoia International Airport, Whitegrass International Airport and Bauerfield International Airport;
- (k) provision of equipment for improved power supply at Bauerfield International Airport and Whitegrass International Airport;

- (l) (i) provision and/or upgrading of fire safety equipment, including fire tender vehicles; and (ii) construction of fire tender shelters at Bauerfield International Airport and Whitegrass International Airport;
- (m) provision of safety and security equipment, including x-ray machines for passenger baggage and cargo screening, at Bauerfield International Airport, Whitegrass International Airport and Pekoa International Airport; and
- (n) provision of design and supervision consulting services required for implementation of the infrastructure investments.

Part B: Aviation Sector Reform and Training

- 1. Carrying out of activities to strengthen the Civil Aviation Authority of Vanuatu (“CAAV”), MIPU and other line ministries and to facilitate reform of the Recipient’s aviation sector, including:
 - (a) development of an Aviation Sector Strategy;
 - (b) provision of advisory services to assist CAAV to: (i) review and update the Recipient’s legislative framework applicable to the aviation sector; (ii) address national and international regulatory requirements for the aviation sector; and (iii) implement the Aviation Sector Strategy;
 - (c) provision of advisory services to assist MIPU with its management and oversight of the Recipient’s aviation sector; and
 - (d) training for capacity-building.
- 2. Provision of PASO aviation safety and security audit, oversight and advisory services to CAAV.

Part C: Strengthening Airport Operations and Management Capacity

Carrying out of activities to strengthen the Recipient’s and AVL’s airport operations and management capacity, including:

- (a) development of an Airport Master Plan;
- (b) provision of technical assistance to improve the planning, financial viability, efficiency, safety and security of airport operations; and
- (c) training on aviation policy, operations and management.

Part D: Emergency Reconstruction

Carrying out of emergency reconstruction and/or rehabilitation activities related to the Recipient's air transport and associated infrastructure in the Recipient's territory.

Part E: Project Support

Provision of technical, fiduciary, Project management, advisory and administrative support to the VPMU and AVL, including the financing of TFSU support services, annual subscriptions for the operation of the VSAT infrastructure during the Project implementation period, and Project financial audits.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. The Recipient shall vest responsibility for overall Project oversight in the VPMU Steering Committee, which shall be responsible for overseeing the VPMU and Project strategy and direction.
2. The Recipient shall vest responsibility for overall implementation of the Project in MIPU.
3. To ensure proper and efficient implementation of the Project, the Recipient, through MIPU, shall vest responsibility for the day-to-day implementation of the Project in the Vanuatu Project Management Unit ("VPMU"), including technical, procurement, contract management, financial management, environmental and social safeguards management, and monitoring and evaluation activities. To this end, the Recipient shall ensure that the VPMU shall be maintained throughout the Project implementation period with adequate resources and competent and qualified staff in adequate numbers required for the Project, and, for staff or consultants procured under the Project, under terms of reference satisfactory to the Association.
4. To ensure proper oversight and implementation of the Program at the regional level, the Recipient shall, in collaboration with the other Program Countries, ensure that the Program Steering Committee is maintained throughout the Project implementation period: (a) with a composition including the chairmen of the Program Countries' national steering committees (or their designated representatives), a designated representative from PASO, and the director of the TFSU; (b) with terms of reference satisfactory to the Association; (c) with responsibility for reviewing and evaluating Program implementation progress; and (d) with meetings of the Program Steering Committee held at least once every calendar quarter. To this end, the Recipient shall nominate the chairman of the VPMU Steering Committee (or their designated representative) to the Program Steering Committee.
5. The Recipient shall, in collaboration with the other Program Countries, ensure that the Regional Procurement Evaluation Committee is maintained throughout the Project implementation period and comprised of representatives of the Program Countries, TAL (through TFSU) and PASO. The Regional Procurement

Evaluation Committee shall be responsible for, *inter alia*, evaluating regional level procurement activities under the Project.

B. Project Implementation Agreement

1. To facilitate the carrying out of the Project, the Recipient shall enter into an agreement with AVL under terms and conditions satisfactory to the Association (“Project Implementation Agreement”), which shall include, *inter alia*, the following:
 - (a) AVL’s obligation to facilitate and provide support for the implementation of the Project with due diligence and efficiency, and in accordance with the Safeguard Instruments, so as to ensure the timely and smooth implementation of the Project in accordance with the provisions of this Agreement;
 - (b) AVL’s obligation to facilitate and provide support for implementation of the Project, including by providing inputs into technical, procurement, contract management, reporting, monitoring and evaluation activities;
 - (c) AVL’s obligation to maintain, throughout the Project implementation period, competent and qualified staff in adequate numbers and with adequate powers and resources required for the Project;
 - (d) AVL’s obligation to maintain and implement the TFSU Service Agreement in a manner satisfactory to the Recipient and the Association;
 - (e) AVL’s obligation to: (i) collect the Safety and Security Levy on behalf of the Recipient; (ii) prepare and thereafter adopt the Disbursement Framework; (iii) ensure that the Safety and Security Levy is used in accordance with the Disbursement Framework; and (iv) furnish to the TFSU, by not later than 31 March of each year, annual audit reports prepared in accordance with the Disbursement Framework, for collation and distribution to the Association; and
 - (f) the Recipient’s obligation to provide all such resources as may be necessary for AVL to carry out the aforesaid responsibilities.
2. The Recipient shall carry out its obligations and exercise its rights under the Project Implementation Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive the Project Implementation Agreement or any of its provisions.

C. TFSU Service Agreement

1. To facilitate the proper and efficient implementation of the Project, the Recipient shall engage the services of TFSU, through TAL, to assist the Recipient and AVL with implementation of the Project, under a service agreement with terms and conditions satisfactory to the Association (“TFSU Service Agreement”), which shall include, *inter alia*, the following:
 - (a) the obligation of TFSU, through TAL, to provide the Recipient and AVL with technical, procurement, financial management, contract management reporting, and monitoring and evaluation support services for the Project, including preparation and evaluation of bids with the assistance of the Regional Procurement Evaluation Committee;
 - (b) the obligation of TAL to maintain the TFSU, throughout the Project implementation period, with responsibility for the day-to-day coordination of Program activities and implementation support at the regional level and for each of the Program Countries;
 - (c) the obligation of the Recipient and TAL, in collaboration with the other Program Countries, to ensure that that the Program Steering Committee and the Regional Procurement Evaluation Committee are maintained throughout the Project implementation period, with composition and terms of reference satisfactory to the Association;
 - (d) the obligation of the Recipient and AVL to provide to the TFSU all necessary inputs and information required for the TFSU to provide the requested services, including in relation to, *inter alia*, technical, procurement, financial management, contract management, reporting, and monitoring and evaluation activities; and
 - (e) the Recipient’s obligation to pay the TFSU Costs out of the proceeds of the Financing;

all in accordance with the provisions of this Agreement.
2. The Recipient shall carry out its obligations and exercise its rights under the TFSU Service Agreement in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree in writing, the Recipient shall not assign, amend, abrogate or waive the TFSU Service Agreement or any of its provisions.

D. Program Operations Manual

1. The Recipient, through MIPU, shall:
 - (a) ensure that the Project is carried out in accordance with the Program Operations Manual; and
 - (b) not amend, abrogate, or waive the Program Operations Manual or any provision thereof without the prior written agreement of the Association.
2. In the case of any inconsistency between the provisions of the Program Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

E. Anti-Corruption

The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Anti-Corruption Guidelines.

F. Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the Safeguard Instruments.
2. Whenever an additional or revised Environmental and Social Management Plan and/or Resettlement Action Plan shall be required for any proposed Project activity in accordance with the provisions of the Environmental and Social Management Framework or Resettlement Policy Framework, respectively, the Recipient shall:
 - (a) prior to the commencement of such activity, proceed to have such Environmental and Social Management Plan and/or Resettlement Action Plan, as the case may be: (i) prepared in accordance with the provisions of the Environmental and Social Management Framework or the Resettlement Policy Framework, respectively; (ii) furnished to the Association for review, and ensure that the Association has notified the Recipient in writing of its no-objection thereto; and (iii) thereafter adopted and disclosed as approved by the Association, in a manner acceptable to the Association; and
 - (b) thereafter take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such Environmental and Social Management Plan and/or Resettlement Action Plan.

3. The Recipient shall ensure that each contract for civil works under the Project includes the obligation of the relevant contractor and any sub-contractors to comply with the relevant provisions of the Safeguard Instruments applicable to such civil works commissioned/awarded pursuant to said contract, including the obligation to possess all required permits and licenses for construction material extraction.
4. The Recipient shall ensure that all waste generated by the Project shall be safely and adequately managed and disposed of, in a manner satisfactory to the Association, and in accordance with the Safeguard Instruments.
5. The Recipient shall:
 - (a) take all necessary actions to minimize any involuntary loss by persons of shelter, productive assets or access to productive assets or income or means of livelihood, temporarily or permanently, and the displacement of said people in the carrying out of the Project or any part thereof; and
 - (b) where the acquisition of land or assets or the displacement of people is unavoidable, before initiating the implementation of any works which would result in such acquisition or displacement, make available to such people compensation at full replacement cost and, as applicable, relocate and rehabilitate the Displaced Persons in accordance with the Resettlement Policy Framework and any RAP(s) and in a manner satisfactory to the Association.
6. The Recipient shall ensure that any studies and technical assistance activities to be supported by the Project are carried out under terms of reference satisfactory to the Association and are consistent with, and pay due attention to, the ESMF, the RPF and the Association's environmental and social safeguard policies.
7. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall, in accordance with terms of reference satisfactory to the Association: (a) monitor the status of compliance with the Safeguard Instruments; and (b) prepare quarterly reports and furnish the same to the Association, as part of the Project Reports, on the results of such monitoring activities, giving details of:
 - (a) measures taken in furtherance of the Safeguard Instruments;
 - (b) conditions, if any, which interfere or threaten to interfere with the smooth implementation of the Safeguard Instruments;

- (c) remedial measures taken or required to be taken to address such conditions; and
 - (d) grievances received (if any) and measures taken to resolve them.
8. The Recipient shall not assign, amend, abrogate or waive, or permit to be assigned, amended, abrogated, or waived, any provision of the Safeguard Instruments, whether in whole or in part, except as the Association shall otherwise agree in writing.
 9. In the case of any inconsistency between the provisions of the Safeguard Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

G. Safety and Security Levy

1. Unless otherwise agreed with the Association in writing, the Recipient shall take all measures required on its part to ensure that AVL shall, from not later than July 1, 2016 and thereafter throughout the Project implementation period, collect from departing international air passengers a levy in a minimum amount equivalent to five Australian Dollars (AU\$5) to recover aviation safety and security expenditures incurred by the Recipient (“Safety and Security Levy”).
2. The Recipient shall ensure that CAAV: (i) prepares and adopts by not later than March 31, 2016 the Disbursement Framework; (ii) uses the Safety and Security Levy in accordance with the Disbursement Framework; and (iii) furnishes to the TFSU, by not later than 31 March of each year, annual audit reports prepared in accordance with the Disbursement Framework, for collation and distribution to the Association.

H. Technical Assistance Activities

Unless otherwise specified in Schedule 1 to this Agreement, any implementation of studies developed under the Project, including the Aviation Sector Strategy and Airport Master Plan, shall be undertaken by the Recipient using its own or other financial resources.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

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 set out in the Program Operations Manual

and acceptable to the Association. Each Project Report shall cover the period of one (1) calendar quarter, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

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. Without limitation on the provisions of Part A of this Section, the Recipient shall prepare and furnish to the Association as part of the Project Report not later than forty five (45) days after the end of each calendar quarter, interim unaudited financial reports for the Project covering the quarter, 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 (1) 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 (6) months after the end of such period.

Section III. Procurement

A. General

1. **Goods, Works and Non-consulting Services.** All goods, works and non-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 Section I of the Procurement Guidelines, and with the provisions of this Section.
2. **Consultants' Services.** All consultants' 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 Sections I and IV of the Consultant Guidelines, and with the provisions of this Section.
3. **Definitions.** The capitalized terms used below in this Section to describe particular procurement methods or methods of review by the Association 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.

B. Particular Methods of Procurement of Goods, Works and Non-consulting Services

1. **International Competitive Bidding.** Except as otherwise provided in paragraph 2 below, goods, works and non-consulting services shall be procured under contracts awarded on the basis of International Competitive Bidding.
2. **Other Methods of Procurement of Goods, Works and Non-consulting Services.** The following methods, other than International Competitive Bidding, may be used for procurement of goods, works and non-consulting services for those contracts specified in the Procurement Plan: (a) Shopping; and (b) Direct Contracting.

C. Particular Methods of Procurement of Consultants' Services

1. **Quality- and Cost-based Selection.** Except as otherwise provided in paragraph 2 below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.
2. **Other Methods of Procurement of Consultants' Services.** The following methods, other than Quality- and Cost-based Selection, may be used for procurement of consultants' services for those contracts which are specified in the Procurement Plan: (a) Quality-based Selection; (b) Selection based on Consultants' Qualifications; (c) Single-source Selection of consulting firms; (d) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (e) Single-source procedures for the Selection of Individual Consultants.

D. Review by the Association of Procurement Decisions

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

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 Projects" dated May 2006, 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, consultants' services, Audit, Training, TFS J Costs and Operating Costs for the Project other than under Part B.2 of the Project | 41,580,000 | 100% |
| (2) Refund of Preparation Advance | 720,000 | Amount payable pursuant to Section 2.07 of the General Conditions |
| TOTAL AMOUNT | 42,300,000 | |

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 that withdrawals up to an aggregate amount not to exceed SDR 7,100,000 equivalent may be made for payments made prior to this date but on or after December 15, 2014, for Eligible Expenditures.
2. The Closing Date is December 31, 2019.

SCHEDULE 3

Repayment Schedule

| Date Payment Due | Principal Amount of the Credit repayable (expressed as a percentage)* |
|---|--|
| On each April 15 and October 15: | |
| commencing October 15, 2025 to and including April 15, 2035 | 1% |
| commencing October 15, 2035 to and including April 15, 2055 | 2% |

* The percentages represent the percentage of the principal amount of the Credit to be repaid, except as the Association may otherwise specify pursuant to Section 3.03 (b) of the General Conditions.

APPENDIX

Section I. Definitions

1. “Airport Master Plan” means the plan to be developed under Part C of the Project for the Recipient’s long-term international airport infrastructure development, including, *inter alia*, traffic forecasts, future design requirements, facilities and management options
2. “Airports Vanuatu Limited” and the acronym “AVL” means the corporation incorporated under the Recipient’s Companies Act and responsible for the management and operation of the Recipient’s international airports.
3. “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.
4. “Audit” means the reasonable costs incurred by the Recipient on account of conducting Project financial audits, as approved by the Association based on annual budgets approved by the Association, including local contractual support staff salaries and benefits based on terms of reference satisfactory to the Association; but excluding the Recipient’s recurrent costs and salaries, fees, honoraria, bonuses and any other salary supplements of the Recipient’s civil servants.
5. “Aviation Sector Strategy” means the strategy to be developed under Part B of the Project, which will set forth a strategic assessment of the Recipient’s existing aviation sector policy, infrastructure and regulation, and recommendations for future policy developments and reforms.
6. “Bauerfield Environmental and Social Management Plan” and the acronym “Bauerfield ESMP” means the environmental and social management plan dated March 27, 2015, prepared by the Recipient in accordance with the provisions of the ESMF, satisfactory to the Association, which sets forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities under the Project, particularly those located at/around or related to Bauerfield International Airport, offset them, or reduce them to acceptable levels, or enhance positive impacts, and which includes the Resettlement Policy Framework, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes, appendices, or schedules to such plan.

7. “Bauerfield International Airport” means the airport located on Efate Island in the Recipient’s territory.
8. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
9. “Civil Aviation Authority of Vanuatu” and the acronym “CAAV” means the Recipient’s Civil Aviation Authority, established pursuant to the Civil Aviation Act of 1999, Chapter 258 of the laws of the Recipient, and responsible for providing regulatory oversight of the Recipient’s aviation sector.
10. “Consultant Guidelines” means the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (revised July 2014).
11. “Disbursement Framework” means the framework to be prepared by CAAV and AVL in consultation with the TFSU, in form and substance satisfactory to the Association, which sets forth the eligible activities to be financed by the Safety and Security Levy, and the processes for collection, disbursement and auditing of the Safety and Security Levy, and for the preparation of annual audit reports to be furnished to the Association; as said framework may be amended from time to time with the prior written agreement of the Association.
12. “Displaced Persons” means persons who, on account of the implementation of the Project, have experienced or would experience direct economic and social impacts caused by: (a) the involuntary taking of land, resulting in: (i) relocation or loss of shelter; (ii) loss of assets or access to assets; (iii) loss of income source or means of livelihood, whether or not such persons must move to another location; or (b) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons.
13. “Environmental and Social Management Framework” and the acronym “ESMF” means the Environmental and Social Management Framework prepared for the Program dated October 7, 2013, setting out the principles, standards, processes and tools to be applied to assess potential adverse environmental and social impacts associated with projects under the Program and the ways to avoid, minimize and/or mitigate them, with related public consultation, disclosure, reporting and grievance redress procedures, as said framework may be amended from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such framework.
14. “Environmental and Social Management Plan” and the acronym “ESMP” means the Bauerfield ESMP and each subsequent plan to be prepared by the Recipient in accordance with the provisions of the ESMF, and pursuant to Section F.2 of

Schedule 2 to this Agreement, satisfactory to the Association, which sets forth mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities under the Project, offset them, or reduce them to acceptable levels, or enhance positive impacts, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes, appendices, or schedules to such plan.

15. “General Conditions” means the “International Development Association General Conditions for Credits and Grants”, dated July 31, 2010.
16. “Kiribati” means the Republic of Kiribati.
17. “Ministry of Finance and Economic Management” and the acronym “MFEM” means the Recipient’s Ministry of Finance and Economic Management; or any successor thereto.
18. “Ministry of Public Infrastructure and Utilities” and the acronym “MIPU” means the Recipient’s Ministry of Public Infrastructure and Utilities; or any successor thereto.
19. “Operating Costs” means incremental expenses (other than TFSU Operating Costs) incurred by the Recipient on account of the implementation, management, monitoring and evaluation of the Project, as approved by the Association based on annual budgets approved by the Association, including local contractual support staff salaries, benefits, travel expenditures and other travel-related allowances; equipment rental and maintenance; vehicle operation, maintenance and repair; office rental and maintenance; materials and supplies; and utilities, media information campaigns and communications’ expenses; but excluding salaries, fees, honoraria, bonuses and any other salary supplements of the Recipient’s civil servants or AVL’s staff and consultants (other than those consultants procured under the Project and pursuant to this Agreement).
20. “PASO” means the Pacific Aviation Safety Office, the office established under the terms of the Pacific Islands Civil Aviation Safety and Security Treaty, which was signed by the Recipient on August 7, 2004, and which entered into force pursuant to the Pacific Islands Civil Aviation Treaty (Ratification Act), Chapter 309 of the laws of the Recipient, on August 29, 2005; or any successor thereto.
21. “Pekoa International Airport” means the airport located on Espiritu-Santo Island in the Recipient’s territory.
22. “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 February 4, 2015 and on behalf of the Recipient on February 19, 2015.

23. “Procurement Guidelines” means 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 (revised July 2014).
24. “Procurement Plan” means the Recipient’s procurement plan for the Project, dated April 1, 2015 and referred to in paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines, as the same shall be updated from time to time in accordance with the provisions of said paragraphs.
25. “Project Implementation Agreement” means the agreement to be entered into between the Recipient and AVL and referred to in Section I.B of Schedule 2 to this Agreement, as such agreement may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such agreements.
26. “Program” means the Pacific Aviation Investment Program, a regional aviation program to be carried out by the Recipient, Tonga, Kiribati, Tuvalu, Samoa and PASO, as presented to such countries at PASO’s council meeting held at Noumea, New Caledonia, on October 13, 2011, and as set forth in minutes of such meeting dated October 21, 2011.
27. “Program Countries” means the Recipient, Tonga, Kiribati, Tuvalu and Samoa.
28. “Program Operations Manual” means the operations manual for the Program, most recently updated on March 31, 2014, setting forth detailed guidelines and procedures for the implementation of the Project, including in the areas of monitoring and evaluation, procurement, coordination, social and environmental safeguards, financial administrative and accounting procedures, corruption and fraud mitigation measures, and such other arrangements and procedures as shall be required for the Project, as the same may be amended and/or supplemented from time to time with the prior written agreement of the Association.
29. “Program Steering Committee” means the committee established at the regional level by the Program Countries with responsibility for overall Program direction and oversight, and referred to in Section I.A.4 of Schedule 2 to this Agreement.
30. “Regional Procurement Evaluation Committee” means the committee maintained by the Program Countries and referred to in Section I.A.5 of Schedule 2 to this Agreement, responsible for evaluating regional level procurement activities under the Project.

31. “Resettlement Action Plan” and the acronym “RAP” means each resettlement action plan to be prepared by the Recipient in accordance with the provisions of the Resettlement Policy Framework, and pursuant to Section F.2 of Schedule 2 to this Agreement, acceptable to the Association, which sets out the: (i) principles and procedures governing the acquisition of land required for the Project; (ii) Displaced Persons as a result of Project activities; (iii) actions and measures for the payment of compensation to Displaced Persons and for their resettlement and rehabilitation; (iv) criteria and procedures for developing and implementing actions and measures for mitigating the adverse social impacts resulting from the implementation of Project activities; and (v) principles and procedures for consultation, grievance redressal, reporting and monitoring requirements, as said plan may be revised from time to time with the prior mutual written agreement of the Association.
32. “Resettlement Policy Framework” and the acronym “RPF” means the Recipient’s resettlement policy framework for the Project, incorporated in the Bauerfield ESMP, acceptable to the Association, which sets out the policies and procedures for addressing adverse temporary or permanent social impacts resulting, or likely to result, from the carrying out of the Project, including for the preparation of Resettlement Action Plans as may be required for Project activities, as said framework may be revised from time to time with the prior mutual written agreement of the Association.
33. “Safeguard Instruments” means, collectively, the ESMF, Resettlement Policy Framework, Bauerfield ESMP and any other ESMP(s) and RAP(s).
34. “Safety and Security Levy” means the levy referred to in Section I.G of Schedule 2 to this Agreement.
35. “Samoa” means the Independent State of Samoa.
36. “Technical and Fiduciary Services Unit” and the acronym “TFSU” means the unit within TAL responsible for regional Program coordination and Project implementation support.
37. “TFSU Costs” means:
 - (a) the costs of TFSU consulting services provided for specific activities related to the Project, payable in accordance with the provisions of the TFSU Service Agreement; and
 - (b) the applicable TFSU Operating Costs.

38. "TFSU Operating Costs" means incremental expenses incurred by TAL through the TFSU on account of the delivery of services under each of the Service Agreements, as approved by the Association based on annual budgets approved by the Association, including rental of office space, bank charges, communications, utilities, stationery, vehicle operation, maintenance and insurance, transportation costs, and accommodations and allowances of TAL's staff, but excluding salaries, fees, honoraria, bonuses, and any other salary supplements.
39. "TFSU Service Agreement" means the agreement to be entered into by the Recipient, AVL and TAL concerning Project and Program implementation and referred to in Section I.C of Schedule 2 to this Agreement, as such agreement may be revised from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such agreements; and "Service Agreements" also includes similar agreements between TAL and Kiribati, Tonga, Tuvalu, Samoa and PASO respectively.
40. "Tonga" means the Kingdom of Tonga.
41. "Tonga Airports Limited" and the acronym "TAL" means the corporation established in 2007 under the Tonga Public Enterprises Act of 2002 and the authority granted by the Instrument of Delegation under Section 5 of the Tonga Civil Aviation Act 1990.
42. "Training" means the reasonable costs of training under the Project, as approved by the Association based on annual budgets approved by the Association, and attributable to seminars, workshops and study tours, along with domestic and international travel and subsistence allowances for training participants, services of trainers, rental of training facilities, preparation and reproduction of training materials, and other activities directly related to course preparation and implementation.
43. "Vanuatu Project Management Unit" and the acronym "VPMU" means the unit within the Recipient's Prime Minister's Office established under the authority of the Council of Ministers by its resolution dated November 1, 2010 supplemented by the Council of Ministers' decision dated August 25, 2011, with the purpose of overseeing and managing major infrastructure development projects in the Recipient's territory; or any successor thereto.
44. "VPMU Steering Committee" means the steering committee for the VPMU referred to in Section I.A.1 of Schedule 2 to this Agreement, which is mandated by the Council of Ministers as the decision-making body to govern overall VPMU operations and provide direction of the VPMU in order to conduct its duties; or any successor thereto.

45. "VSAT" means very small aperture terminal, a two-way secure communications system.
46. "Whitegrass International Airport" means the airport located on Tanna Island in the Recipient's territory.