

OFFICIAL DOCUMENTS Q965-VU

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

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February 4, 2015

Hon. Maki Stanley Simelum
Minister
Ministry of Finance and Economic Management
Port Vila
Republic of Vanuatu

Dear Honorable Minister,

***Republic of Vanuatu: Advance Agreement for Preparation of a
Proposed Vanuatu Aviation Investment Project
Project Preparation Advance No. Q-9650***

In response to the request for financial assistance made on behalf of Republic of Vanuatu ("Recipient"), I am pleased to inform you that the International Development Association ("World Bank") proposes to extend to the Recipient an advance out of the World Bank's Project Preparation Facility in an amount not to exceed one million Dollars (\$1,000,000) ("Advance") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in financing the activities described in the Annex ("Activities"). The objective of the Activities is to facilitate the preparation of a proposed Vanuatu Aviation Investment Project designed to improve operational safety and oversight of international air transport and associated infrastructure ("Project"), in support of which the Recipient has requested the World Bank's financial assistance.

The Recipient represents, by confirming its agreement below, that: (a) it understands that the provision of the Advance does not constitute or imply any commitment on the part of the International Bank for Reconstruction and Development or the International Development Association to assist in financing the Project; and (b) it is authorized to enter into this Agreement and to carry out the Activities, repay the Advance and perform its other obligations under this Agreement, all in accordance with the provisions of this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this

Agreement shall become effective as of the date specified by the World Bank in accordance with Section 5.02 of the Annex to this Agreement.


Very truly yours,

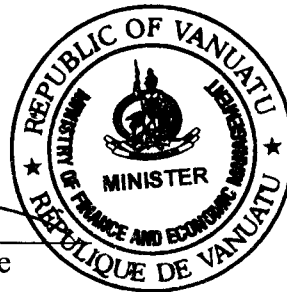
INTERNATIONAL DEVELOPMENT ASSOCIATION

By Franz Drees-Gross
Franz Drees-Gross
Country Director
Timor-Leste, Papua New Guinea
& Pacific Islands
East Asia and Pacific Region

AGREED:
REPUBLIC OF VANUATU

By:


Authorized Representative



Name: How MAKI SIMELUM, MP

Title: MINISTER OF FINANCE AND ECONOMIC MANAGEMENT

Date: 19th February 2015

Enclosures:

1. "Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility", dated July 31, 2010; and
2. Disbursement Letter for the Advance of the same date as this Agreement, together with "World Bank Disbursement Guidelines for Projects", dated May 1, 2006.

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility dated July 31, 2010 (“Standard Conditions”), constitute an integral part of this Agreement.

1.02. **Definitions.** Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the Standard Conditions or in this Agreement, and the following terms shall have the following meanings:

(a) “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.

(b) “Environmental and Social Management Framework” and the acronym “ESMF” means the Environmental and Social Management Framework prepared for the Pacific Aviation Investment 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 Pacific Aviation Investment 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 World Bank, and such term includes any schedules or annexes to such framework.

(c) “Environmental and Social Management Plan” and the acronym “ESMP” means the Recipient’s environmental and social management plan, to be prepared in accordance with the provisions of the ESMF, setting out mitigation, enhancement and monitoring measures required to eliminate or offset adverse environmental and social impacts of the Activities, or to reduce them to acceptable levels, as said plan may be amended with the prior written agreement of the World Bank.

(d) “Operating Costs” means the incremental operating costs (other than TFSU Costs) incurred by the Recipient on account of the preparation, implementation and management of the Activities, as approved by the World Bank based on budgets approved by the World Bank, including local contractual support staff salaries, benefits, travel expenditures and other travel-related allowances, including taxes incurred on overseas travel; 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.

(e) “Pacific Aviation Investment Program” means the series of projects implemented by the Republic of Kiribati, the Kingdom of Tonga, Tuvalu and the Independent State of Samoa, and financed by the World Bank, with the objective to improve operational safety and oversight of international air transport and associated infrastructure.

(f) “Service Agreement” means the agreement to be entered into by the Recipient and TAL for the provision of technical and fiduciary support services for the implementation of the Activities, as such agreement may be revised from time to time with the prior written agreement of the World Bank.

(g) “Technical and Fiduciary Services Unit” and the acronym “TFSU” means the unit within TAL responsible for regional coordination and Project implementation support.

(h) “TFSU Costs” means the costs of consultants services of the TFSU, delivered to the Recipient in relation to the Activities and paid in accordance with the terms of the Service Agreement.

(i) “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.

(j) “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 development projects.

(k) “World Bank’s Safeguard Policies” means the World Bank’s operational policies and procedures set forth in the World Bank’s Operational Manual under OP/BPs 4.01, 4.04, 4.09, 4.10, 4.11, 4.12, 4.36, 4.37, 7.50 and 7.60 published at www.worldbank.org/opmanual, and in effect on the date of countersignature of this Agreement.

Article II

Execution of the Activities

2.01. ***Description of the Activities.*** The Activities for which the Advance is provided consist of the following parts:

(a) conducting core sampling and pavement strength and deflection testing, including preparing an engineering design brief, for the Bauerfield International Airport’s main runway and apron areas;

- (b) holding consultations on, finalizing and publicly disclosing Project safeguard instruments;
- (c) undertaking an independent assessment of the condition of fire tenders/tankers and preparing bid documents for their repair, refurbishment and/or replacement;
- (d) preparing detailed engineering designs and bid documents for civil works to rehabilitate the Bauerfield International Airport's main runway and apron areas, including support during bidding;
- (e) carrying out emergency civil works for maintaining the Bauerfield International Airport's main runway and apron areas, and supervision of civil works;
- (f) provision of critical goods for navigation, aviation safety and security; and
- (g) procurement, financial management and Project coordination support provided by the TSFU.

2.02. ***Execution of the Activities Generally.*** The Recipient declares its commitment to the objectives of the Activities. To this end, the Recipient shall carry out the Activities in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) 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.

2.03. ***Institutional and Other Arrangements.***

- (a) Vanuatu Project Management Unit

To ensure proper and efficient implementation of the Activities, the Recipient shall vest the implementation of the fiduciary aspects of the Activities in the Vanuatu Project Management Unit. To this end, the Recipient shall ensure that the Vanuatu Project Management Unit shall be maintained with adequate resources and staffing required for the Activities.

- (b) Airports Vanuatu Limited

To ensure proper and efficient implementation of the Activities, the Recipient shall vest the technical implementation of the Activities in AVL. To this end, the Recipient shall ensure that AVL shall be maintained with adequate resources and staffing required for the Activities.

(c) Service Agreement

To ensure proper and efficient support for the Activities, the Recipient shall enter into a Service Agreement with the Tonga Airports Limited, under terms and conditions acceptable to the World Bank, pursuant to which the TFSU shall provide technical and fiduciary support services to the Recipient for the implementation of the Activities.

(d) Safeguards

- (i) The Recipient shall ensure that all terms of reference for any technical assistance consultancies carried out under the Activities are consistent with, and pay due attention to, the World Bank's Safeguard Policies.
- (ii) The Recipient shall ensure that prior to commencing any civil works under the Activities: (A) an Environmental and Social Management Plan ("ESMP") for that activity has been prepared and submitted to the World Bank for review, and the World Bank has notified the Recipient in writing of its no-objection thereto; and (B) the ESMP has been consulted on, adopted and publicly disclosed, all in accordance with the ESMP.
- (iii) The Recipient shall ensure that each contract for civil works under the Activities includes the obligation of the relevant contractor to comply with the ESMP applicable to such civil works commissioned/awarded pursuant to said contract.
- (iv) The Recipient shall maintain monitoring and evaluation protocols and record keeping procedures acceptable to the World Bank and adequate to enable the Recipient and the World Bank to supervise and assess, on an on-going basis, the implementation of/compliance with the ESMP, as well as the achievement of the objectives thereof.

2.04. **Monitoring, Reporting and Evaluation of the Activities.** The Recipient shall monitor and evaluate the progress of the Activities in accordance with the provisions of Section 2.08 of the Standard Conditions.

2.05. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.09 of the Standard Conditions.

(b) The Recipient shall ensure that interim un-audited financial reports for the Activities are prepared and furnished to the World Bank not later than forty five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of Sections 2.09 (b) of the Standard Conditions. Each such 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 under the Advance was made. The audited Financial Statements for such period shall be furnished to the World Bank not later than six months after the end of such period.

2.06. *Procurement*

(a) General. All goods, works, non-consulting services and consultants' services required for the Activities and to be financed out of the proceeds of the Advance shall be procured in accordance with the requirements set forth or referred to in:

(i) Section I of the "Guidelines: Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014) ("Procurement Guidelines"), in the case of goods, works and non-consulting services;

(ii) Sections I and IV of the "Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers" dated January 2011 (revised July 2014). ("Consultant Guidelines") in the case of consultants' services; and

(iii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Activities in accordance with paragraph 1.18 of the Procurement Guidelines and paragraph 1.25 of the Consultant Guidelines ("Procurement Plan").

(b) Definitions. The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II and III of the Procurement Guidelines, or Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) Particular Methods of Procurement of Goods, Works and Non-consulting Services. The following methods 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.

(d) Particular Methods of Procurement of Consultants' Services

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

(ii) The following methods may be used for the procurement of consultants' services for those assignments 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) Selection of Individual Consultants; and (E) Single-source procedures for the Selection of Individual Consultants.

(e) Review by the World Bank of Procurement Decisions. The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.

**Article III
Withdrawal of the Advance**

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Advance in accordance with the provisions of: (a) Article III of the Standard Conditions; (b) this Section; and (c) such additional instructions as the World Bank may specify by notice to the Recipient (including the "World Bank Disbursement Guidelines for Projects" dated May 2006, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance Eligible Expenditures as set forth in the following table. The table specifies each category of Eligible Expenditures that may be financed out of the proceeds of the Advance ("Category"), the amount of the Advance allocated to each Category, and the percentage of expenditures to be financed for Eligible Expenditures in each Category:

Category	Amount of the Advance Allocated (expressed in Dollars)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, consultants' services, non-consulting services, TFSU Costs and Operating Costs under the Activities	1,000,000	100% of the TFSU Costs paid as per the terms of the Service Agreement; and 100% of all other Eligible Expenditures
TOTAL AMOUNT	1,000,000	

3.02. **Withdrawal Conditions.** Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient, except that withdrawals up to an aggregate amount not to exceed \$200,000 equivalent may be made for payments made prior to this date but on or after December 15, 2014, for Eligible Expenditures.

3.03. **Refinancing Date.** The Refinancing Date is July 1, 2015.

Article IV
Terms of the Advance

4.01. **Service Charge.** The Recipient shall pay a service charge on the Withdrawn Advance Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum. The service charge shall accrue from the respective dates on which amounts of the Advance are withdrawn and shall be paid in arrears in accordance with the provisions of Section 4.02 of this Agreement. Service charges shall be computed on the basis of a 360-day year of twelve 30-day months.

4.02. **Repayment.** The Withdrawn Advance Balance shall be repaid by the Recipient to the World Bank (together with any service charges accrued thereon) in accordance with the provisions of Article IV of the Standard Conditions and the following provisions:

(a) *Refinancing under the Refinancing Agreement:* If, on or before the Refinancing Date, a Refinancing Agreement has been executed by all of its parties, then the full amount of the Withdrawn Advance Balance shall be repaid to the World Bank (together with any service charges accrued on the Advance to the date of repayment) as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of an amount of the Refinancing Proceeds equivalent to the Withdrawn Advance Balance plus such service charges, in accordance with the provisions of the Refinancing Agreement.

(b) *Repayment in the absence of a Refinancing Agreement:* If, on or before the Refinancing Date, no Refinancing Agreement has been executed by all of its parties, or if, by such date or at any time thereafter, it has been so executed but terminates without becoming effective, then:

- (i) if the amount of the Withdrawn Advance Balance does not exceed \$50,000, it shall be repaid by the Recipient to the World Bank (together with service charges accrued on the Withdrawn Advance Balance to the date of repayment) on such date as the World Bank shall specify in a notice to the Recipient, which shall in no event be earlier than 60 days following the date of dispatch of such notice; and
- (ii) if the amount of the Withdrawn Advance Balance exceeds \$50,000, it (together with service charges accrued on the Withdrawn Advance Balance to the Notice Date) (the "Aggregate Balance") shall be paid by the Recipient to the World Bank in ten approximately equal semiannual installments, in the amounts and on the dates ("Payment Dates") which the World Bank shall specify in a notice to the Recipient. In no event shall the first Payment

Date be set earlier than 60 days following the date (“Notice Date”) of dispatch of such notice. The Recipient shall pay a service charge on the Aggregate Balance at the rate of three-fourths of one percent (3/4 of 1%) per annum, payable in arrears on each Payment Date. The service charge shall be computed on the basis of a 360-day year of twelve 30-day months.

Article V Effectiveness; Termination

5.01. **Effectiveness Condition.** This Agreement shall not become effective until the World Bank has notified the Recipient that it has received evidence satisfactory to the World Bank that the Service Agreement referred to in Section 2.03(b) of this Annex has been executed.

5.02. **Effective Date.** Except as the Recipient and the World Bank shall otherwise agree, this Agreement shall enter into effect on the date upon which the World Bank dispatches to the Recipient notice of its acceptance of the evidence required pursuant to Section 5.01 (“Effective Date”). If, before the Effective Date, any event has occurred which would have entitled the World Bank to suspend the right of the Recipient to make withdrawals from the Advance Account if this Agreement had been effective, the World Bank may postpone the dispatch of the notice referred to in this Section until such event (or events) has (or have) ceased to exist.

5.03. **Termination for Failure to Become Effective.** This Agreement and all obligations of the parties under it shall terminate if it has not entered into effect by the date ninety (90) days after the date of this Agreement, unless the World Bank, after consideration of the reasons for the delay, establishes a later date for the purpose of this Section. The World Bank shall promptly notify the Recipient of such later date.

Article VI Recipient’s Representative; Addresses

6.01. **Recipient’s Representative.** The Recipient’s Representative referred to in Section 9.02 of the Standard Conditions is its Minister of Finance and Economic Management.

6.02. **Recipient’s Address.** The Recipient’s Address referred to in Section 9.01 of the Standard Conditions is:

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

Cable:

Telex:

Facsimile:

+678 566-4961

6.03. **World Bank's Address.** The World Bank's Address referred to in Section 9.01 of the Standard Conditions is:

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) or
64145 (MCI)

1-202-477-6391