

**OFFICIAL
DOCUMENTS**

GRANT NUMBER D029-TV

Financing Agreement

(Energy Sector Development Project)

between

TUVALU

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

Dated 25th FEBRUARY, 2015

GRANT NUMBER D029-TV

FINANCING AGREEMENT

AGREEMENT dated *25th FEBRUARY*, 2015, entered into between TUVALU ("Recipient") and INTERNATIONAL DEVELOPMENT ASSOCIATION ("Association").

WHEREAS (A) the Recipient, having satisfied itself as to the feasibility and priority of the project described in Schedule 1 to this Agreement ("Project"), has requested the Association to extend a grant in the amount specified in Section 2.01 of this Agreement, to assist in financing the Project; and

(B) the Recipient has also requested the Association and the International Bank for Reconstruction and Development (collectively, the "World Bank"), acting as administrator of the Small Islands Developing States (SIDS) DOCK Support Program Multi Donor Trust Fund ("SIDS MDTF"), to assist in financing Part 1 of the Project and the World Bank, acting in such capacity, has agreed to extend a grant to the Recipient from the SIDS MDTF for such purpose in the amount of two million one hundred thousand United States Dollars (\$2,100,000) ("SIDS Grant"), pursuant to the grant agreement of the date herewith between the Recipient and the World Bank ("SIDS Grant Agreement"); and

WHEREAS the Association has agreed, on the basis, *inter alia*, of the foregoing, to extend a grant to the Recipient upon the terms and conditions set forth in this Agreement.

NOW THEREFORE, the Recipient and the Association hereby agree as follows.

ARTICLE I -- GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) constitute an integral part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — FINANCING

- 2.01. The Association agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equivalent to four million eight hundred thousand Special Drawing Rights (SDR 4,800,000)

("Financing"), to assist in financing the project described in Schedule 1 to this Agreement ("Project").

- 2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section IV of Schedule 2 to this Agreement.
- 2.03. The Maximum Commitment Charge Rate payable by the Recipient on the Unwithdrawn Financing Balance shall be one-half of one percent (1/2 of 1%) per annum.
- 2.04. The Payment Dates are February 15 and August 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT

- 3.01. The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through the Tuvalu Electricity Corporation ("TEC") in accordance with the provisions of Article IV of the General Conditions and the Project Implementation 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 — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following:
 - (a) The Tuvalu Electricity Corporation Act has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of the TEC to perform any of its obligations under the Project Implementation Agreement.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Conditions of Effectiveness consist of the following:

- (a) The Project Implementation Agreement has been executed on behalf of the Recipient and the TEC.
 - (b) The SIDS Grant Agreement has been executed and delivered and all conditions precedent to its effectiveness or to the right of the Recipient to make withdrawals under it (other than the effectiveness of this Agreement) have been fulfilled.
- 5.02. The Additional Legal Matter consists of the following, namely that the Project Implementation Agreement has been duly authorized or ratified by the Recipient and the TEC and is legally binding upon the Recipient and the TEC in accordance with its terms.
- 5.03. The Effectiveness Deadline is the date ninety (90) days after the date of this Agreement.
- 5.04. 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 years after the date of this Agreement.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

6.01. The Recipient's Representative is its Minister of Finance.

6.02. The Recipient's Address is:

Ministry of Finance and Economic Development
Vaiaku
Funafuti
Tuvalu

6.03. The Association's Address is:

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

Cable:

Telex:

Facsimile:

INDEVA 3
Washington, D.C.

248423 (MCI)

1-202-477-6391

AGREED at FUNAFUTI, TUVALU, as of the day and year first
above written.

TUVALU

By



Authorized Representative

Name: HON. MAATIA TOAFA
FINANCE &
Title: MINISTER FOR ECONOMIC
DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: FRANZ R. DREES - GROSS
Title: COUNTRY DIRECTOR, EACUF

SCHEDULE 1

Project Description

The objective of the Project is to enhance the Recipient's energy security by reducing its dependence on imported fuel for power generation, and by improving the efficiency and sustainability of its electricity system.

The Project consists of the following parts:

Part 1: Renewable Energy Investments

Supply and installation, for TEC, of power generation and grid management equipment, such equipment to include, solar photovoltaic, wind-power generation, batteries, battery inverters and an integrated power-control system and a satellite-based communications system.

Part 2. Energy Efficiency Investments

Carrying out a program of activities designed to enhance efficient use of energy, such program to include:

- (a) Supply and installation of prepayment meters for TEC consumers and smart meters for the largest electricity consumers.
- (b) Supply and installation of selected energy efficiency investments, such as enhanced insulation in buildings to be selected by TEC in accordance with criteria agreed with the Association; and replacement of inefficient lighting and appliances in said buildings.
- (c) Developing policy, standards and labeling for energy efficiency.
- (d) Activities aimed at raising the consumer awareness on energy efficiency, and related capacity building activities and training.

Part 3. Technical Assistance and Project Management Support

- (a) Carrying out a program of activities designed to enhance the capacity of the Recipient and TEC for implementation of the Project, including, coordination, administration, technical operation, procurement, financial management, environmental and social management, monitoring, evaluation, and reporting of the Project.
- (b) Provision of technical assistance to support the Recipient in mainstreaming gender dimensions into the Project.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements.

The Recipient shall vest the responsibility for financial management of the Project in the Ministry of Finance and the responsibility for technical implementation of the Project in TEC.

B. Project Implementation Agreement

1. In order to assist the Recipient in carrying out the Project, the Recipient shall enter into an agreement, under terms and conditions satisfactory to the Association, with TEC ("Project Implementation Agreement"), pursuant to which:
 - (a) The TEC shall be required, on behalf, and acting as agent, of the Recipient, to:
 - (i) carry out the day-to-day activities of the Project with due diligence and efficiency required for said activities so as to ensure timely implementation of the Project in accordance with the provisions of this Agreement;
 - (ii) maintain at all times during Project implementation, competent and qualified staff in adequate numbers for the implementation of the Project;
 - (iii) designate the general manager of TEC as the Project manager to be responsible for Project implementation;
 - (iv) hire, by not later than three (3) months after the Effective Date, a Project officer to be responsible for supporting the Project manager on day to day implementation, monitoring and reporting of Project activities, and a procurement advisor to be responsible for procurement matters under the Project, both with qualifications and experience satisfactory to the Association;
 - (v) carry out the Project in accordance with the Anti-Corruption Guidelines and Project Operations Manual;

- (vi) carry out the Project in accordance with the Safeguard Instruments and Section I.F of this Schedule 2;
 - (vii) carry out the procurement for the Project in accordance with Section III of this Schedule 2, including, preparation of the bidding documents and bid evaluation; and
 - (viii) prepare, in accordance with terms of reference acceptable to the Association, and furnish to the Recipient not later than thirty (30) days after the end of each calendar semester, for incorporation in the Project Reports under Section II.A of this Schedule, reports on the progress in the implementation of the Project during said semester.
- (b) Without limitation on the provisions of Section 4.03 of the General Conditions, the Recipient shall be required to provide all such resources as may be necessary for the TEC to carry out the responsibilities aforesaid.
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, the Recipient shall not assign, amend, abrogate or waive the Project Implementation Agreement or any of its provisions.

C. Project Operations Manual

1. The Recipient shall cause TEC to prepare, by not later than two (2) months after Effective Date, and thereafter adopt a Project Operations Manual, setting forth the arrangements and procedures for the implementation of the Project, including: (a) institutional arrangements for day to day execution of the Project; (b) the procurement plan and implementation arrangements; (c) implementation arrangements for the Safeguards Instruments; (d) budgeting, disbursement, and financial management arrangements; and (e) project monitoring, reporting, and evaluation arrangements.
2. The Recipient shall ensure that the Project is carried out in accordance with the Project Operations Manual, and except as the Association shall otherwise agree in writing, not amend or waive, or permit to be amended or waived, any provision of the Project Implementation Manual.

D. Anti-Corruption

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

E. Annual Work Plans

1. The Recipient shall prepare and furnish to the Association not later than October 31 of each year (beginning from October, 2015) during the implementation of the Project (or such later date as the Association may agree) for the Association's no-objection, an Annual Work Plan and Budget containing all eligible Project activities and Eligible Expenditures, proposed to be included in the Project in the following calendar year, including a specification of the source or sources of financing for all Eligible Expenditures, and environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.f of this Schedule.
2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plan and Budget accepted by the Association for the respective calendar year; provided, however, that in the event of any conflict between the Annual Work Plan and Budget and the provisions of this Agreement, the provisions of this Agreement shall prevail.
3. The Recipient shall not make or allow to be made any change to the Annual Work Plan and Budget without prior no-objection in writing.

F. Environmental and Social Safeguards

1. The Recipient shall ensure that the Project is carried out in accordance with the provisions of the Safeguards Instruments.
2. If any activities under the Project, would, pursuant to the Environmental and Social Management Framework ("ESMF"), require the preparation of an Environmental Management Plan ("EMP"), the Recipient shall ensure that no such activities shall be implemented unless and until such EMP is prepared in accordance with the ESMF and furnished to the Association for review and approval, and is disclosed as required by the ESMF.
3. If a Resettlement Action Plan ("RAP") would be required for any Project activities on the basis of the Resettlement Policy Framework ("RPF"), the Recipient shall ensure that: (a) said RAP has been prepared in accordance with the requirements of the RPF, furnished to the Association for approval, and disclosed locally; and (b) no such activities shall commence until: (i) all measures required to be taken under said RAP prior to the commencing of said activities have been taken; (ii) a report, in form and substance satisfactory to the Association, on the status of compliance with the requirement of said RAP has been prepared and furnished to the Association; and (iii) the Association has confirmed that said activities may be commenced.

4. 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 Safeguards Instruments; and (b) prepare and furnish to the Association, as part of each Project Report, a report on the results of such monitoring activities during the period covered by said Project Report, giving details of:
 - (i) measures taken in furtherance of such Safeguards Instruments;
 - (ii) conditions, if any, which interfere or threaten to interfere with the smooth implementation of such Safeguards Instruments; and
 - (iii) remedial measures taken or required to be taken to address such conditions.
5. The Recipient shall afford the Association a reasonable opportunity to review the reports prepared under paragraph 4 of this Part F, and thereafter shall carry out with due diligence all remedial measures agreed with the Association so as to ensure the proper implementation of the Project in accordance with the Safeguards Instruments.
6. In the event of a conflict between the provisions of any of the Safeguard Instruments and those of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports

1. The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 4.08 of the General Conditions and on the basis of indicators acceptable to the Association and set forth in the Results Framework. Each Project Report shall cover the period of one calendar semester, and shall be furnished to the Association not later than forty five (45) days after the end of the period covered by such report.

2. Mid-term Review

The Recipient shall: (a) not later than two (2) years after the Effective Date (or such other date as the Association may agree), carry out a mid-term review of the Project and, prepare and furnish to the Association a mid-term report, in such detail as the Association shall reasonably request, documenting progress achieved in the carrying out of the Project during the period preceding the date of such report, taking into account the monitoring and evaluation activities performed pursuant to paragraph 1 of this Section II.A, and setting out the measures recommended to ensure the continued efficient carrying out of the Project and the achievement of

its objective during the period following such date; and (b) review with the Association such mid-term report, on or about the date one (1) month after its submission, and thereafter take all measures required to ensure the continued efficient implementation of the Project and the achievement of its objective, based on the conclusions and recommendations of the mid-term report and the Association's views on the matter.

B. Financial Management, Financial Reports and Audits

1. The Recipient shall maintain or cause to be maintained a financial management system in accordance with the provisions of Section 4.09 of the General Conditions.
2. The Recipient shall prepare and furnish to the Association not later than forty five (45) days after the end of each calendar 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. The first audit of the Financial Statements shall cover the period from date of this Agreement to December 31, 2016; and subsequent audits shall cover the period of one (1) fiscal year of the Recipient beginning on January 1, 2017. 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) Least Cost Selection; (c) Selection based on Consultants' Qualifications; (d) Single-source Selection of consulting firms; (e) Procedures set forth in paragraphs 5.2 and 5.3 of the Consultant Guidelines for the Selection of Individual Consultants; and (f) 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 11 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 and Training for the Project	4,700,000	100%
(2) Incremental Operating Costs	100,000	100%
TOTAL AMOUNT	4,800,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed SDR 50,000 may be made for payments made prior to this date but on or after September 1, 2014, for Eligible Expenditures under Category (1).
2. The Closing Date is March 31, 2019.

APPENDIX

Section I. Definitions

1. “Affected Person” means a person who, on account of the execution of the Project, has 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; or (iii) loss of income sources or means of livelihood, whether or not such person must move to another location; or (b) the involuntary restriction to access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such persons; and “Affected Persons” means more than one Affected Person.
2. “Annual Work Plan and Budget” means each annual work plan, together with the related budget and updated procurement plan, for the Project accepted by the Association pursuant to the provisions of Section I.E.1 of Schedule 2 to this Agreement; as the said plan and budget may be modified from time to time with the prior written no-objection of the Association.
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. “Category” means a category set forth in the table in Section IV of Schedule 2 to this Agreement.
5. “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).
6. “Environmental Management Plan” means a plan, to be prepared or caused to be prepared by the Recipient pursuant to Section I.F.2 of Schedule 2 to this Agreement and agreed with the Association in accordance with the ESMF, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental impacts of Project activities, offset them, reduce them, 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 or schedules to such plan; and “Environmental Management Plans” means more than one such plan.
7. “Environmental and Social Management Framework” or “ESMF” means the framework dated November 2014, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to eliminate any adverse environmental and social impacts of activities

implemented under the Project, if any, offset them, reduce them, or enhance positive impacts, as well as guidelines and procedures for the preparation and disclosure of Additional Environmental Management Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to such framework.

8. "General Conditions" means the "International Development Association General Conditions for Credits and Grants", dated July 31, 2010.
9. "Incremental Operating Costs" means incremental recurrent expenditures incurred on account of Project implementation and as set forth in the Annual Work Plans and Budget, including leasing and/or routine repair and maintenance of vehicles, equipment, facilities and office premises, fuel, office supplies, utilities, consumables, communication expenses (including postage, telephone and internet costs), translation, printing and photocopying expenses, bank charges, publications and advertising expenses, insurance, Project-related meeting expenses, Project-related travel, subsistence and lodging expenses, and other administrative costs directly related to the Project, but excluding salaries, bonuses, fees and honoraria or equivalent payments of members of the Recipient's civil service.
10. "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).
11. "Procurement Plan" means the Recipient's procurement plan for the Project, dated November 26, 2014 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.
12. "Project Operations Manual" or "POM" means the manual referred to in Section I.C of Schedule 2 to this Agreement.
13. "Resettlement Action Plan" or "RAP" means a plan to be prepared by the Recipient pursuant to Section I.F.3 of Schedule 2 to this Agreement, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out acquisition of land and related assets under the Project, compensation, resettlement, and rehabilitation of Affected Persons, prepared in accordance with the provisions of 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 schedules or annexes to such plan.
14. "Resettlement Policy Framework" or "RPF" means the Recipient's framework, dated October 2014, setting out mitigation, enhancement, monitoring, and institutional measures, including capacity building through training, to carry out

acquisition of land and related assets under the Project, if any, compensation, resettlement, and rehabilitation of Affected Persons, as well as guidelines and procedures for the preparation of Resettlement Action Plans, as the same may be modified from time to time with the prior written agreement of the Association, and such term includes any annexes or schedules to such framework.

15. "Results Framework" means the results framework dated November 26, 2014, and agreed with the Association, setting forth the indicators and targets for purposes of monitoring and evaluation of the Project, 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 framework.
16. "Safeguard Instruments" means the ESMF, RPF, any EMPs and any RAPs.
17. "SIDS Grant Agreement" means the agreement of even date with this Agreement, between the Recipient and the Association, for a SIDS Grant.
18. "Project Implementation Agreement" means the agreement referred to in Section I.B of Schedule 2 to this Agreement.
19. "Training" means the reasonable costs of goods and services required for the participation of personnel involved in training and educational activities, workshops and study tours under the Project as set forth in the respective Annual Work Plan and Budget, including travel and subsistence costs for training, workshop and study tour participants, costs associated with securing the services of trainers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training or education course, workshop or study tour preparation and implementation, but excluding fees of consultants.
20. "Tuvalu Electricity Corporation" means Recipient's State Owned Company, established and operating pursuant to the Tuvalu Electricity Corporation Act.
21. "Tuvalu Electricity Corporation Act" means the Tuvalu Electricity Corporation Act (revised 2008), chapter 32.20 of the laws of the Recipient.