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February 21, 2018

Hon. Brenson Wase
Minister of Finance
Ministry of Finance
PO Box D
Majuro 96960
Republic of the Marshall Islands

Dear Minister,

***Republic of the Marshall Islands: Advance Agreement for the
Preparation of the Proposed Maritime Investment Project
Preparation Advance No. IDA-V1660-MH***

In response to the request for financial assistance made on behalf of the Republic of the Marshall Islands ("Recipient"), I am pleased to inform you that the International Development Association ("IDA" or "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 five hundred thousand United States Dollars (\$1,500,000) ("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 Maritime Investment Project designed to strengthen maritime services and safety in the Recipient's territory by improving marine infrastructure and assets ("Project"), for the carrying out 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 IBRD or IDA 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 of the countersignature; provided, however, that the offer of this Agreement

shall be deemed withdrawn if the World Bank has not received this countersigned copy within sixty (60) days after the date of signature of this Agreement by the World Bank, unless the World Bank has established a later date for such purpose.

Very truly yours,
INTERNATIONAL DEVELOPMENT ASSOCIATION

By 

Michel Kerf
Country Director
Papua New Guinea & Pacific Islands
East Asia and Pacific Region

AGREED:
REPUBLIC OF THE MARSHALL ISLANDS

By: 
Authorized Representative

Name: Brenson Wage

Title: Minister of MOF

Date: 3/7/18

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 the "Disbursement Guidelines for Investment Project Financing" dated February 2017.

ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The 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 (including the cover letter to this Agreement and this Section) as follows:

- (a) “Anti-Corruption Guidelines” means the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, dated October 15, 2006 and revised in January 2011 and as of July 1, 2016.
- (b) “Delap Dock” means the dock named ‘Delap Dock’ in the Port of Majuro overseen by the RMIPA, primarily used for international cargo.
- (c) “IBRD” means International Bank for Reconstruction and Development.
- (d) “Ministry of Finance” means the Recipient’s Ministry of Finance, or any successor thereto.
- (e) “Operating Costs” means reasonable incremental expenditures incurred on account of the Activities and based on a budget approved ex ante by the World Bank, 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, meeting expenses, travel, subsistence and lodging expenses, administrative staff, and other administrative costs directly related to the Activities, exclusive of salaries of the Recipient’s civil service, sitting fees, bonuses, fees and honoraria or equivalent payments.
- (f) “Procurement Plan” means the Recipient’s procurement plan for the Activities, dated February 12, 2018 and provided for under Section IV of the Procurement Regulations, as the same may be updated from time to time in agreement with the World Bank.
- (g) “Procurement Regulations” means the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017.
- (h) “RMIPA” means the Republic of the Marshall Islands Ports Authority, established pursuant to the RMI Ports Authority Act 2003, 22 Marshall Islands Revised Code, Ch. 1, or any successor thereto.
- (i) “Standard Conditions” means Standard Conditions for Advances Made by the World Bank under its Project Preparation Facility” dated July 31, 2010.
- (j) “World Bank’s Safeguard Policies” means, to the extent that they are applicable to the Activities, the operational policies and procedures OP/BP 4.01 (Environmental Assessment), OP/BP 4.04 (Natural Habitats), OP/BP 4.09 (Pest Management), OP/BP 4.10 (Indigenous Peoples), OP/BP 4.11 (Physical Cultural Resources), OP/BP 4.12 (Involuntary Resettlement), OP/BP 4.36 (Forests), and OP/BP 4.37 (Safety of Dams) contained in the World Bank’s Operational Manual which can be found on the World Bank’s website at <<http://www.worldbank.org/en/programs/environmental-and-social-policies-for-projects/brief/environmental-and-social-safeguards-policies>>.

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) Determining an optimal layout and configuration of port/cargo yard activities and key government services to improve operational efficiency at Delap Dock.
- (b) Identifying investments, estimating costs, calculating economic rates of return, and prioritizing needs for Delap Dock.
- (c) Identifying shortcomings and recommending measures to strengthen institutional and regulatory arrangements.
- (d) Strengthening the capacity of the RMIPA to implement the Project, including the purchase of essential office equipment;
- (e) Conducting stakeholder engagement and preparing safeguards documents, including environmental management plans and land acquisition and resettlement plans.
- (f) Preparing procurement and operational documents for the Project, including but not limited to, a project procurement strategy for development and a project operations manual.
- (g) Hiring a Project manager to manage and oversee the technical aspects associated with the Activities and to implement the Project.
- (h) Addressing existing or emerging issues related to Project preparation.

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 through its Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) this Article II; and (c) the Anti-Corruption Guidelines.

2.03. **Safeguards.** The Recipient shall ensure that:

(a) the terms of reference for any consultancies related to technical assistance and capacity building or the preparation of studies, documents, strategies, assessments, support, technical and functional specifications, reports, consultations or reviews under this Agreement shall be satisfactory to the World Bank following its review thereof and, to that end, such terms of reference shall duly incorporate the requirements of the World Bank's Safeguard Policies then in force, as applied to the advice conveyed through such technical assistance and capacity building, studies, documents, strategies, assessments, support, technical and functional specifications, reports, consultations and reviews; and

(b) in drafting any regulations, guidelines or procedures and carrying out any capacity building activities under the Activities, due attention is given to said policies and relevant laws.

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 semester, covering the semester, 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 (1) 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 nine (9) months after the end of such period.

2.06. **Procurement**

All goods, non-consulting services and consulting 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 the Procurement Regulations and the provisions of the Recipient's Procurement Plan, as the same may be updated from time to time in agreement with 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 "Disbursement Guidelines for Investment Project Financing" dated February 2017, as revised from time to time by the World Bank and as made applicable to this Agreement pursuant to such instructions), to finance 100% of Eligible Expenditures consisting of goods, consulting services, non-consulting services and Operating Costs under the Activities, all inclusive of Taxes.

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.

3.03. **Refinancing Date.** The Refinancing Date is December 20, 2018.

Article IV
Terms of the Advance

4.01. **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 paid to the World Bank as soon as the Refinancing Agreement becomes effective, by means of a withdrawal by the World Bank of such amount of the Refinancing Proceeds, in accordance with the provisions of the Refinancing Agreement.

4.02. **No Repayment in the absence of a Refinancing Agreement:** Notwithstanding any provision to the contrary in the Standard Conditions, 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 the Recipient shall not be obligated to repay the Withdrawn Advance Balance.

Article V
Recipient's Representative; Addresses

5.01. ***Recipient's Representative.*** The Recipient's Representative referred to in Section 9.02 of the Standard Conditions is the minister at the time responsible for finance.

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

PO Box D
Majuro MH 96960
Republic of the Marshall Islands

Facsimile:
+692 625 3607

5.03. ***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

Telex:	Facsimile:
248423 (MCI) or	(1)-202-477-6391
64145 (MCI)	