GRANT NUMBER D559-KI

Financing Agreement

(Kiribati Outer Islands Transport Infrastructure Investment Project under the Pacific Climate Resilient Transport Program)

between

REPUBLIC OF KIRIBATI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF KIRIBATI ("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 to assist in the financing of the Project; and

(B) the Recipient has also requested the Asian Development Bank ("Co-financier") to provide additional assistance towards the financing of certain activities under the Project, and the Co-financier intends to make available to the Recipient for such purpose a financing in an amount of twelve million Dollars ($12,000,000) equivalent ("Co-financing"), pursuant to the provisions of the agreement to be entered into between the Recipient and the Co-financier ("Co-financing 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) apply to and form 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 a grant, which is deemed as Concessional Financing for purposes of the General Conditions, in an amount equivalent to twenty one million seven hundred thousand Special Drawing Rights (SDR 21,700,000) ("Financing"), to assist in financing the Project.

2.02. The Recipient may withdraw the proceeds of the Financing in accordance with Section III of Schedule 2 to this Agreement.
2.03. The Maximum Commitment Charge Rate is one-half of one percent (1/2 of 1%) per annum on the Unwithdrawn Financing Balance.

2.04. The Payment Dates are May 1 and November 1 in each year.

2.05. 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 in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement.

**ARTICLE IV — EFFECTIVENESS; TERMINATION**

4.01. The Additional Condition of Effectiveness is that the Co-financing 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.

4.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

4.03. For purposes of Section 10.05 (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 Signature Date.

**ARTICLE V — REPRESENTATIVE; ADDRESSES**

5.01. The Recipient’s Representative is the minister at the time responsible for finance.

5.02. For purposes of Section 11.01 of the General Conditions: (a) the Recipient’s address is:

    Ministry of Finance and Economic Development
    P.O. Box 67
    Bairiki, Tarawa
    Republic of Kiribati;

    and
(b) the Recipient’s Electronic Address is:

E-mail:

hon.vicepresident@mfep.gov.ki

5.03. For purposes of Section 11.01 of the General Conditions: (a) The Association’s address is:

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

(b) the Association’s Electronic Address is:

Facsimile: E-mail:

1-202-477-6391 cdpngpacific@worldbank.org
AGreed as of the Signature Date.

REPUBLIC OF KIRIBATI

By

Dr. Teuea Toatu
Authorized Representative
Name: Dr. Teuea Toatu
Title: Vice President & Minister of Finance
Date: 22-Mar-2020

INTERNATIONAL DEVELOPMENT ASSOCIATION

By

Michel Kerf
Authorized Representative
Name: Michel Kerf
Title: Country Director, PNG & Pacific Islands
Date: 19-Mar-2020
SCHEDULE 1

Project Description

The objectives of the Project are to improve the connectivity, safety and climate resilience of transport infrastructure on Selected Outer Islands, and in the event of an Eligible Crisis or Emergency, to provide an immediate response to the Eligible Crisis or Emergency.

The Project constitutes a phase of the Program and consists of the following parts:

Part 1. Safe Inter-Island Navigation

Carrying out activities to improve the safety of inter-island navigation, including:

(a) conducting hydrographic surveys and preparing and publishing maritime charts;
(b) providing and installing tide gauges and current meters; and
(c) providing contract management services to support activities under Part 1 of the Project.

Part 2. Resilient Outer Island Access Infrastructure

2.1 Improvement of Ship Safety Navigation

(a) Designing and installing new aids to navigation and replacing existing ineffective aids to navigation in locations informed by the hydrographic surveys and maritime charts prepared under Part 1(a) of the Project.
(b) Providing technical assistance to develop a system for maintenance of aids to navigation, and preparing safeguard documents.

2.2 Rehabilitation of Island Access Infrastructure

Carrying out activities to construct and rehabilitate infrastructure to improve maritime access to Selected Outer Islands, as informed by the hydrographic surveys and maritime charts prepared under Part 1(a) of the Project, including:

(a) designing and constructing a new jetty, passenger terminal, concrete ramp and associated infrastructure on the Recipient’s island of Abaiang; undertaking small scale dredging in Tebikeriki, on the Recipient’s island of Beru; and constructing a passenger terminal and associated
infrastructure, and upgrading the seawall on Recipient’s island of Beru; including preparing site assessments and safeguard documents;

(b) constructing small multipurpose maritime facilities on Recipient’s islands of Nonouti and Tabiteuea South, including a boat ramp, shelter and aids to navigation workshop; preparing site assessments and safeguard documents; and providing associated small equipment; and

(c) providing technical assistance for the design, construction and maintenance activities under Part 2.2(b) of the Project, including conducting engineering studies, carrying out capacity development activities for the Recipient’s staff, preparing safeguard documents, and conducting quality assurance audits.

2.3 Rehabilitation of Lagoon Crossings

(a) Rehabilitating and upgrading existing causeways identified and selected in accordance with the criteria and procedures specified in the Project Operations Manual to ensure climate resilient access to Selected Outer Islands, including preparing site assessments and preparing safeguard documents, and carrying out activities related to the maintenance of the causeways.

(b) Providing technical assistance for the design, construction and maintenance activities under Part 2.3(a) of the Project, including conducting site investigations and engineering studies, carrying out supervision of works, conducting quality assurance audits, preparing safeguard documents, and carrying out capacity development activities for staff and personnel of the Ministry of Infrastructure and Sustainable Energy (“MISE”).

Part 3. Strengthening the Enabling Environment

3.1 Institutional Strengthening

Providing technical assistance to the Ministry of Information, Communications, Transport and Tourism Development (“MICTTD”) and MISE to increase their capacity to implement the Project and manage transport infrastructure, including:

(a) conducting assessments and studies, and training MICTTD staff on the development and management of a marine spatial database; and

(b) developing a MISE capacity investment plan and providing associated training, program licenses and software.
3.2 **Operational Support for the Outer Islands Implementation Unit**

Providing technical and operational assistance to the Outer Islands Implementation Unit (“OIIU”) on Project management and implementation, including audits, training of Project staff and personnel, supporting overall supervision of the Project, providing small equipment, reporting, monitoring and evaluation, and safeguard monitoring; and supporting gender informed activities, including citizen engagement, outreach activities, and developing employment networks designed to increase women’s participation and prevent gender-based violence.

3.3 **Operational Support for the Kiribati Fiduciary Services Unit**

Strengthening capacity of the Kiribati Fiduciary Services Unit (“KFSU”) in providing Project management and implementation support to this Project and other IBRD and/or Association financed or co-financed projects in the Recipient’s territory, including audits, providing small equipment, training Project staff and personnel, reporting, and monitoring and evaluation.

**Part 4. Contingent Emergency Response**

Providing immediate response to an Eligible Crisis or Emergency, as needed.
SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

Development Coordination Committee

1. The Recipient shall maintain until the Closing Date, the Development Coordination Committee, with a mandate, composition and resources satisfactory to the Association, which shall be: (i) chaired by the Secretary to Cabinet (or their representative), and comprising, inter alia, the secretaries (or their representatives) of the Ministry of Finance and Economic Development (“MFED”), MISE, MICTTD, Ministry of Internal Affairs, Ministry for Women, Youth, Sports and Social Affairs, and Ministry of Environment, Lands and Agriculture Development, and other members as specified in the Project Operations Manual; and (ii) responsible for, inter alia, providing general oversight, coordination, strategic direction and guidance for the Project.

Project Technical Taskforce

2. The Recipient shall, by no later than three (3) months after the Effective Date (or such later date which the Association has confirmed in writing is acceptable to the Association in its sole discretion), establish and thereafter maintain until the Closing Date, a Project Technical Taskforce, with a mandate, composition and resources satisfactory to the Association, which shall: (i) be chaired by the Project manager of the OIIU (or the their representative), and comprising, inter alia, technical staff representatives from MISE, MICTTD, Ministry of Internal Affairs, Ministry of Environment, Lands and Agriculture Development, and key personnel from OIIU; and (ii) be responsible for, inter alia, providing technical oversight of the Project, preparing Annual Workplans and Budgets and ensuring that the Project meets its development objectives.

MFED; KFSU; and OIIU

3. The Recipient shall vest in MFED: (i) the overall responsibility for coordination and implementation of the Project; (ii) the responsibilities on implementation of Parts 3.2, 3.3 and 4 of the Project; and (iii) the responsibilities on Project management and fiduciary aspects of Project implementation, all in accordance with the provisions of this Agreement and the Project Operations Manual.

4. Without limitation to the generality of Section I.A.3 above, the Recipient shall, by no later than three (3) months after the Effective Date (or such later date which the Association has confirmed in writing is acceptable to the Association in its sole
discretion), establish and thereafter maintain until the Closing Date, an OIU within MFED, with a mandate, composition and resources satisfactory to the Association, which shall: (i) be responsible for, inter alia, carrying out day-to-day implementation of activities under Part 3.2 of the Project and Project management and fiduciary aspects of Project implementation, including safeguards compliance, and monitoring and evaluation, with support from KFSU on, inter alia, procurement and financial management; and (ii) unless otherwise agreed with the Association or specified in the Project Operations Manual, include at all times the following minimum staff and/or personnel, or be supported by such specialists from KFSU: (A) a Project manager; (B) a chief technical advisor; (C) a procurement specialist; (D) a social safeguards specialist; (E) an environmental safeguards specialist; (F) a gender or gender-based violence specialist; and (G) a community liaison specialist; each with terms of reference, qualifications and experience satisfactory to the Association.

5. Without limitation to the generality of Section I.A.3 above, the Recipient shall maintain until the Closing Date (or such other date which the Association has confirmed in writing is acceptable to the Association in its sole discretion), KFSU within MFED, with a mandate, composition and resources satisfactory to the Association, which shall: (i) be responsible for, inter alia, carrying out day-to-day implementation of activities under Part 3.3 of the Project, and supporting OIU on fiduciary aspects of Project implementation, including procurement and financial management; and (ii) unless otherwise agreed with the Association or specified in the Project Operations Manual, include at all times the following minimum staff and/or personnel: (A) a procurement specialist; (B) a financial management specialist; and (C) a safeguards specialist; each with terms of reference, qualifications and experience satisfactory to the Association.

MICTTD

6. The Recipient shall vest the responsibilities on technical implementation of: (i) Parts 1, 2.1 and 2.2(a) of the Project in MICTTD; and (ii) Part 3.1 jointly in MICTTD and MISE, all in accordance with the provisions of this Agreement and the Project Operations Manual.

MISE and MISE Implementation Unit

7. The Recipient shall vest the responsibilities on technical implementation of: (i) Parts 2.2(b), 2.2 (c) and 2.3 of the Project in MISE; and (ii) Part 3.1 of the Project jointly in MISE and MICTTD, all in accordance with the provisions of this Agreement, the Project Operations Manual and the MISE Implementation Manual.

8. Without limitation to the generality of Section I.A.7 above, the Recipient shall, by no later than three (3) months after the Effective Date (or such later date which the Association has confirmed in writing is acceptable to the Association in its sole
discretion), establish and thereafter maintain until the Closing Date, an MISE Implementation Unit within MISE, with a mandate, composition and resources satisfactory to the Association, which shall: (i) be responsible for, *inter alia*, carrying out day-to-day technical implementation of Parts 2.2(b) and 2.3(a) of the Project; and (ii) include at all times the following minimum staff and/or personnel: (A) a Project manager; and (B) a senior civil engineer; each with terms of reference, qualifications and experience satisfactory to the Association.

B. Project Operations Manual

1. By not later than two (2) months after the Effective Date (or such later date which the Association has confirmed in writing is acceptable to the Association in its sole discretion), the Recipient shall:

(a) prepare a manual, in form and substance satisfactory to the Association, which shall set forth, *inter alia*, the following detailed arrangements and procedures for the implementation of the Project: (i) implementation arrangements, including the division of roles and responsibilities between the implementing ministries and their relevant units, the Island Councils, the Development Coordination Committee and the Project Technical Taskforce; (ii) procurement procedures and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures; (iv) Project performance indicators; (v) arrangement and procedures for environment and social safeguard management; (vi) monitoring and evaluation arrangements; (vii) the criteria and procedures for identifying any additional Selected Outer Islands and identifying and prioritizing investments under Part 2 of the Project; and (viii) any other administrative, financial, technical or organizational arrangements and procedures as may be necessary for the implementation of the Project and the achievement of its development objectives;

(b) furnish to, and exchange views with the Association on such manual promptly upon its preparation; and

(c) adopt such manual as shall have been accepted by the Association (“Project Operations Manual”).

2. The Recipient shall thereafter implement the Project in accordance with the Project Operations Manual, and except as the Association shall otherwise agree in writing, the Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the Project Operations Manual.
3. In the event of any conflict between the provisions of the Project Operations Manual and those of this Agreement, the provisions of this Agreement shall prevail.

C. MISE Implementation Manual

1. By not later than twelve (12) months after the Effective Date (or such later date which the Association has confirmed in writing is acceptable to the Association in its sole discretion), the Recipient shall:
   
   (a) prepare a manual, in form and substance satisfactory to the Association, which shall set forth, *inter alia*, the following detailed arrangements and procedures for the implementation of activities under Parts 2.2(b) and 2.3(a) of the Project: (i) implementation arrangements; (ii) procurement procedures and standard procurement documentation; (iii) reporting requirements, financial management procedures and audit procedures; (iv) arrangement and procedures for environment and social safeguard management, including gender and gender-based violence prevention and mitigation activities; (v) monitoring and evaluation arrangements; (vi) technical procedures and design specifications; and (vii) any other administrative, financial, technical and organizational arrangements and procedures as may be necessary for the implementation of Parts 2.2(b) and 2.3(a) of the Project.

   (b) furnish to, and exchange views with the Association on such manual promptly upon its preparation; and

   (c) adopt such manual as shall have been accepted by the Association (“MISE Implementation Manual”).

2. The Recipient shall thereafter implement Parts 2.2(b) and 2.3(a) of the Project in accordance with the MISE Implementation Manual, and except as the Association shall otherwise agree in writing, the Recipient shall not amend, suspend, abrogate, repeal or waive any provisions of the MISE Implementation Manual.

3. In the event of any conflict between the provisions of the MISE Implementation Manual and those of this Agreement and/or the Project Operations Manual, the provisions of this Agreement and the Project Operations Manual shall prevail, in that order of priority.

D. Annual Work Plans and Budgets

1. The Recipient shall prepare and furnish to the Association, by not later than one (1) month after the Effective Date and June 30 of each subsequent year during the implementation of the Project (or such other interval or date as the Association
may agree), for the Association’s review and no-objection, an Annual Work Plan and Budget, which shall, *inter alia*: (a) list all activities (including Operating Costs and Trainings and Workshops) proposed to be included in the Project in the Recipient’s following fiscal year; (b) provide a budget for their financing (with a financial plan specifying all sources of financing including the Financing, the Co-funding and any other resources provided by the Recipient); and (c) describe the environmental and social safeguard measures taken or planned to be taken in accordance with the provisions of Section I.F of this Schedule 2.

2. The Recipient shall ensure that the Project is implemented in accordance with the Annual Work Plans and Budgets accepted by the Association for the Recipient’s respective fiscal year; provided, however, that in the event of any conflict between the Annual Work Plans and Budgets 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 Plans and Budgets, unless the Association has provided its prior no-objection thereof in writing.

E. Contingent Emergency Response

1. Prior to the implementation of contingent emergency response activities under Part 4 of the Project (“Emergency Response Part”), the Recipient shall:

   (a) prepare and furnish to the Association for its review and approval, a Contingent Emergency Response Component Project Operations Manual (“CERC POM”), which shall set forth detailed implementation arrangements for the Emergency Response Part, including: (i) any special institutional arrangements for coordinating and implementing the Emergency Response Part; (ii) specific activities which may be included in the Emergency Response Part, Eligible Expenditures required therefor (“Emergency Expenditures”), and any procedures for such inclusion; (iii) financial management arrangements for the Emergency Response Part; (iv) procurement methods and procedures for the Emergency Response Part; (v) documentation required for withdrawals of the Emergency Expenditures; (vi) application of any relevant Safeguard Instruments to the Emergency Response Part; and (vii) any other arrangements for the coordination and implementation of the Emergency Response Part;

   (b) afford the Association a reasonable opportunity to review the proposed CERC POM;

   (c) promptly adopt the CERC POM for the Emergency Response Part as shall have been accepted by the Association;
ensure that the Emergency Response Part is carried out in accordance with the CERC POM; provided, however, that in the event of any inconsistency between the provisions of the CERC POM and this Agreement, the provisions of this Agreement shall prevail; and

not amend, suspend, abrogate, repeal or waive any provision of the CERC POM without prior written approval by the Association.

2. The Recipient shall not undertake any activity under the Emergency Response Part, unless and until the following conditions have been met in respect of said activities:

(a) the Recipient has determined that an Eligible Crisis or Emergency has occurred, has furnished to the Association a request to include said activities in the Emergency Response Part in order to respond to said Eligible Crisis or Emergency, and the Association has agreed with such determination, accepted said request and notified the Recipient thereof;

(b) the Recipient has ensured the preparation and disclosure of all Safeguard Instruments as may be required for said activities in accordance with the provisions of Section I.F of this Schedule 2 and the CERC POM, the Association has approved all such instruments, and the Recipient has ensured the implementation of any actions which are required to be taken under said instruments;

(c) the Recipient has ensured that the entities in charge of coordinating and implementing the Emergency Response Part have adequate staff and resources, in accordance with the provisions of the CERC POM, for the purposes of said activities; and

(d) the Recipient has adopted the CERC POM, in form and substance acceptable to the Association, and the provisions of the CERC POM remain up to date, or have been updated in accordance with the provisions of this Section I.E so as to provide detailed arrangement and procedures needed for the implementation of the Emergency Response Part.

F. Safeguards

1. The Recipient shall ensure that:

(a) the Project is carried out with due regard to appropriate health, safety, social, and environmental practices and standards, and in accordance with the Safeguard Instruments;
(b) for each activity under the Project for which the Environmental and Social Management Framework ("ESMF") and the Resettlement Framework ("RF") provide for the preparation of an Environmental and Social Impact Assessment ("ESIA"), an Environmental and Social Management Plan ("ESMP") and/or a Resettlement Action Plan ("RAP"):

(i) proceed to have such ESIA, ESMP and/or RAP as appropriate: (A) prepared and disclosed in accordance with the ESMF and the RF, respectively; (B) consulted upon adequately with people affected by the Project as per the ESMF and the RF, respectively, and submitted to the Association for review and approval; and (C) thereafter adopted, prior to implementation of the activity; and

(ii) take such measures as shall be necessary or appropriate to ensure compliance with the requirements of such ESIA, ESMP and/or RAP in a manner satisfactory to the Association; and

(c) all measures are taken to implement the RAPs in a manner and timeframe satisfactory to the Association. To this end, the Recipient shall ensure that:

(i) funds are made available to cover all the costs of implementing the RAPs;

(ii) prior to carrying out activities which involve displacement, Affected Persons shall be compensated at full replacement cost, resettled and provided with assistance in accordance with the RAPs, as applicable; and

(iii) the implementation, monitoring and evaluation of such RAPs is completed and reported in a manner satisfactory to the Association.

2. The Recipient shall ensure that the MISE Implementation Manual, all bidding documents and contracts for civil works under the Project include the obligation of all implementing ministries, local labor, contractors, subcontractors, and supervising entities to: (a) comply with the relevant aspects of Safeguard Instruments; (b) adopt and implement measures to assess and manage the risks and impacts of labor influx and workers’ camps; and (c) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures on environmental, social, health and safety, gender-based violence and violence against children; all as applicable to such civil works commissioned or carried out pursuant to said contracts.

3. The Recipient shall ensure that: (a) all consultancies related to technical assistance, design and capacity building under the Project, the application of whose results
could have environmental, social and health and safety implications, shall only be undertaken pursuant to terms of reference reviewed and found satisfactory by the Association; and (b) such terms of reference shall require the technical assistance, design and capacity building activities to take into account the requirements of the applicable Safeguard Policies and EHS Guidelines.

4. (a) The Recipient shall ensure that the Emergency Response Part does not include any activities and expenditures on the negative list set forth in the CERC ESMF; and

(b) if any activities under Emergency Response Part, would, pursuant to the CERC ESMF, require the preparation of a CERC ESMP, the Recipient shall ensure that: (i) no such activities shall be implemented unless and until such CERC ESMP is prepared, consulted upon, approved, adopted and disclosed in accordance with the provisions of the CERC ESMF; and (ii) thereafter such measures are taken as shall be necessary or appropriate to ensure compliance with the requirements of such CERC ESMP.

5. Without limitation upon its other reporting obligations under this Agreement, the Recipient shall:

(a) take all measures necessary on its part to regularly collect, compile, and submit to the Association, as part of the Project Reports, and promptly in a separate report whenever the Association may require or whenever the circumstances warrant, information on the status of compliance with the Safeguard Instruments, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the Safeguard Instruments; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the Safeguard Instruments; and (iii) corrective and preventive measures taken or required to be taken to address such conditions;

(b) promptly furnish to the Association a copy of each progress report prepared and submitted by any entity (including any engineer) supervising the Project’s civil works, the Project’s contractors and/or subcontractors; and

(c) promptly notify the Association of any incident or accident related to or having an impact on the Project which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers.

6. The Recipient shall maintain, throughout Project implementation, and publicize the availability of a grievance mechanism, in form and substance satisfactory to the Recipient, to hear and determine fairly and in good faith all complaints raised in
relation to the Project, and take all measures necessary to implement the determinations made by such mechanism in a manner satisfactory to the Recipient.

7. Except as the Association shall otherwise agree in writing, the Recipient shall ensure that none of the provisions of the Safeguard Instruments be abrogated, amended, repealed, suspended or waived. In case of any inconsistencies between the provisions of any of the Safeguard Instruments and the provisions of this Agreement, the provisions of this Agreement shall prevail.

Section II. Project Monitoring, Reporting and Evaluation

1. The Recipient shall furnish to the Association each Project Report not later than forty-five (45) days after the end of each calendar semester, covering the calendar semester.

   Mid-Term Review

2. The Recipient shall carry out, jointly with the Association, not later than three (3) years after the Effective Date, or such other period as may be agreed with the Association, a mid-term review of the Project (“Mid-Term Review”) to assess the status of Project implementation, as measured against Project indicators acceptable to the Association, and compliance with the legal covenants included or referred to in this Agreement. Such review shall include an assessment of the following: (a) overall progress in implementation; (b) results of monitoring and evaluation activities; (c) progress on procurement and disbursement; (d) progress on implementation of safeguards measures; (e) implementation arrangements and Project staff turnover; and (f) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall:

   (i) prepare and furnish to the Association, at least one (1) month before the date of the Mid-Term Review, a report, in scope and detail satisfactory to the Association and integrating the results of the monitoring and evaluation activities performed pursuant to Section II.1 of this Schedule 2 and the General Conditions, on the progress achieved in the carrying out of the Project during the period preceding the date of such report and setting out the measures recommended to ensure the efficient carrying out of the Project and the achievement of the objectives thereof; and

   (ii) review, jointly with the Association, the report referred to in the preceding paragraph and thereafter take all measures required to ensure the efficient completion of the Project and the achievement of the objectives thereof, based on the conclusions and recommendations of such report and the Association’s views on the matter.
Section III. Withdrawal of the Proceeds of the Financing

A. General

Without limitation upon the provisions of Article II of the General Conditions and in accordance with the Disbursement and Financial Information Letter, the Recipient may withdraw the proceeds of the Financing to: (a) finance Eligible Expenditures; and (b) repay the Preparation Advance; in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

<table>
<thead>
<tr>
<th>Category</th>
<th>Amount of the Financing Allocated (expressed in SDR)</th>
<th>Percentage of Expenditures to be Financed (inclusive of Taxes)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Goods, works, non-consulting services, consulting services, Operating Costs, and Training and Workshops for Parts 1, 2.1, 2.2(a), 2.2(c), 2.3(b), and 3.1 of the Project</td>
<td>8,680,000</td>
<td>53.4%</td>
</tr>
<tr>
<td>(2) Goods, works, non-consulting services, consulting services, Operating Costs, and Training and Workshops for Parts 2.2(b) and 2.3(a) of the Project</td>
<td>6,000,000</td>
<td>100%</td>
</tr>
<tr>
<td>(3) Goods, non-consulting services, consulting services, Operating Costs, and Training and Workshops for Part 3.2 of the Project</td>
<td>2,530,000</td>
<td>70%</td>
</tr>
<tr>
<td>(4) Goods, non-consulting services, consulting services, Operating Costs, and Training and Workshops for Part 3.3 of the Project</td>
<td>3,620,000</td>
<td>100%</td>
</tr>
<tr>
<td>(5) Emergency Expenditures under Part 4 of the Project</td>
<td>0</td>
<td>100%</td>
</tr>
</tbody>
</table>
(6) Refund of Preparation Advance

<table>
<thead>
<tr>
<th></th>
<th></th>
<th>Amount payable pursuant to Section 2.07 (a) of the General Conditions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL AMOUNT</strong></td>
<td><strong>21,700,000</strong></td>
<td></td>
</tr>
</tbody>
</table>

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A above, no withdrawal shall be made:

   (a) for payments made prior to the Signature Date;

   (b) under Category (2) unless and until the Association is satisfied that the MISE Implementation Manual has been prepared and adopted by the Recipient in accordance with Section I.C.1 of this Schedule 2; or

   (c) for Emergency Expenditures under Category (5), unless and until the Association is satisfied that all of the conditions listed in Section I.E.2 of this Schedule 2 have been met in respect of said expenditures.

2. The Closing Date is June 30, 2026.
APPENDIX

Definitions

1. “Affected Person” means a person or entity who, on account of the execution of the Project, has experienced or would experience direct economic and social impacts caused by: (i) the involuntary taking of land resulting in: (A) relocation or loss of shelter; (B) loss of assets or access to assets; or (C) loss of income sources or means of livelihood, whether or not such person must move to another location; or (ii) the involuntary restriction of access to legally designated parks and protected areas, resulting in adverse impacts on the livelihood of such person; and “Affected Persons” means more than one such Affected Person.

2. “Annual Work Plan and Budget” means each annual work plan and budget (including related cash forecasts) for the implementation of the Project approved by the Association, referred to in Section I.D of Schedule 2 to this Agreement; and “Annual Work Plans and Budgets” means, collectively, all such plans and budgets.

3. “Anti-Corruption Guidelines” means, for purposes of paragraph 5 of the Appendix to the General Conditions, 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.


5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.

6. “CERC ESMF” means the Contingency Emergency Response Component Environmental and Social Management Framework for the Project, to be prepared by the Recipient, satisfactory to the Association, and disclosed on the Association’s website, setting forth, inter alia: (a) the principles, rules, guidelines and procedures to identify indicative Emergency Response Part-related activities; (b) the procedures to assess the environmental and social impact of these activities; and (c) the measures and plans to reduce, mitigate and/or offset adverse impacts; including any schedules to such framework, and as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

7. “CERC ESMP” means any environmental and social management plan to be prepared in accordance with the CERC ESMF, pursuant to Section I.F of Schedule 2 to this Agreement, in form and substance satisfactory to the Association, setting forth, inter alia: (a) the measures to be taken to avoid, minimize, mitigate or offset adverse environmental and social impacts (including health and safety issues) of
activities carried out under Part 4 of the Project, or to reduce them to acceptable levels; and (b) the actions needed to implement these measures; including any schedules to such plan, and as such plan may be amended by the Recipient from time to time, with the prior written agreement of the Association; and “CERC ESMPs” means, collectively, all such plans.


9. “Co-financing” means, for purposes of paragraph 14 of the Appendix to the General Conditions, a financing in an amount of twelve million Dollars ($12,000,000) equivalent, to be provided by the Co-financier to assist in financing the Project.

10. “Co-financing Agreement” means the agreement to be entered into between the Recipient and the Co-financier providing for the Co-financing.

11. “Contingent Emergency Response Component Project Operations Manual” and its acronym “CERC POM” means the manual referred to in Section I.E.1 of Schedule 2 to this Agreement, to be adopted by the Recipient for the Emergency Response Part in accordance with the provisions of said Section.

“Development Coordination Committee” means the Recipient’s committee, established by the Recipient’s Cabinet to coordinate development activities in the Recipient’s territory.


13. “Eligible Crisis or Emergency” means an event that has caused, or is likely to imminently cause, a major adverse economic and/or social impact to the Recipient, associated with a natural or man-made crisis or disaster.

14. “Emergency Expenditure” means any of the eligible expenditures set forth in the CERC POM in accordance with the provisions of Section I.E of Schedule 2 to this Agreement and included in the Emergency Response Part.

15. “Emergency Response Part” means a specific activity or activities to be carried out in the event of an Eligible Crisis or Emergency under Part 4 of the Project.

16. “Environmental and Social Impact Assessment” and its acronym “ESIA” means any environmental and social impact assessment, satisfactory to the Association, and disclosed on the Association’s website to be prepared and adopted in accordance with the ESMF, including any schedules to such assessment, and as such assessment may be amended by the Recipient from time to time, with the
prior written agreement of the Association; and “ESIAs” means, collectively, all such ESIAs.

17. “Environmental and Social Management Framework” and its acronym “ESMF” means the Kiribati: Outer Islands Transport Infrastructure Improvement Project, World Bank and Asian Development Bank, Environmental and Social Management Framework prepared and adopted by the Recipient, satisfactory to the Association, dated November 2019, disclosed in-country, and the Association’s website on January 26, 2020, setting out the stakeholder engagement plan, principles, rules, guidelines and procedures to screen and assess the potential adverse environmental and social risks and impacts (including health and safety issues) of Project activities, including the risks of gender-based violence and sexual exploitation and abuse, adopt measures to avoid, reduce, mitigate or offset environmental and social adverse risks and impacts, including measures that endeavor to prevent and respond to gender-based violence and sexual exploitation and abuse, procedural, budget and institutional arrangements and actions needed to implement these measures, and information on the agency or agencies responsible for addressing the Projects’ risks and impacts; as well as for the preparation of the Environmental and Social Impact Assessments and the Environmental and Social Management Plans; including any schedules to such framework, and as such framework may be amended by the Recipient from time to time, with the prior written agreement of the Association.

18. “Environmental and Social Management Plan” and its acronym “ESMP” means any Environmental and Social Management Plan satisfactory to the Association, and disclosed on the Association’s website to be prepared and adopted in accordance with the ESMF, including any schedules to such plan, and as such plan may be amended by the Recipient from time to time, with the prior written agreement of the Association; and “ESMPs” means, collectively, all such ESMPs.


20. “Island Councils” means the Recipient’s Island Councils for each of the Selected Outer Islands within the Ministry of Internal Affair’s Local Government Division, established by and acting pursuant to the Recipient’s Local Government Act (No 2 of 1984).

21. “Kiribati Fiduciary Services Unit” and its acronym “KFSU” mean the Kiribati Fiduciary Services Unit established by the Recipient within the Ministry of Finance and Economic Development.

22. “Mid-Term Review” shall have the meaning ascribed to it in Section II.2 of Schedule 2 to this Agreement.


26. “Ministry of Infrastructure and Sustainable Energy” and its acronym “MISE” means the Recipient’s Ministry of Infrastructure and Sustainable or any successor thereto.

27. “Ministry of Internal Affairs” means the Recipient’s Ministry of Internal Affairs, or any successor thereto.

28. “Ministry for Women, Youth, Sport, and Social Affairs” means the Recipient’s Ministry for Women, Youth, Sport and Social Affairs, or any successor thereto.

29. “MISE Implementation Manual” means the Recipient’s manual, referred to in Section I.C.1 of Schedule 2 to this Agreement, in form and substance satisfactory to the Association, to be adopted by the Recipient in accordance with the provisions of said Section; as said manual may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to the manual.

30. “Operating Costs” means reasonable expenditures incurred by the Recipient on account of Project implementation and management (which expenditures would not have been incurred absent of the Project) and included in the Annual Work Plans and Budgets accepted ex-ante by the Association, including the Recipient’s staff travel costs, allowances, costs of vehicle rental, fuel and maintenance, bank charges, communications costs, office supplies and equipment, office rental fees, advertising expenses, utilities and consumables required for holding meetings related to the Project, but excluding all salaries, fees, honoraria, bonuses and any other salary supplements of civil servants of the Recipient.

31. “Outer Islands Implementation Unit” and its acronym “OIIU” means the implementation unit for the Project to be established by the Recipient in accordance with Section I.A.4 of Schedule 2 to this Agreement.

32. “Participating Countries” means the Recipient and any other countries that may join the Program as agreed in writing by the Association.
33. “Preparation Advance” means the portion of the advance referred to in Section 2.07(a) of the General Conditions, granted by the Association to the Recipient pursuant to the letter agreement signed on behalf of the Association on May 7, 2018 and on behalf of the Recipient on May 25, 2018.

34. “Procurement Regulations” means, for purposes of paragraph 87 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated July 2016, revised November 2017 and August 2018.

35. “Program” means the Pacific Climate Resilient Transport Program, a series of projects designed to finance activities to systematically improve the resilience of the Participating Countries’ transport networks to natural hazards and climate change.

36. “Project Operations Manual” means the Recipient’s manual, referred to in Section I.B.1 of Schedule 2 to this Agreement, in form and substance satisfactory to the Association, to be adopted by the Recipient in accordance with the provisions of said Section; as said manual may be modified from time to time with the prior written agreement of the Association, and such term includes any schedules or annexes to the manual.

37. “Project Technical Taskforce” means a technical taskforce for the Project, to be established by the Recipient in accordance with Section I.A.2 of Schedule 2 to this Agreement.

38. “Resettlement Action Plan” and its acronym “RAP” means any resettlement action plan, satisfactory to the Association, and disclosed on the Association’s website, prepared and adopted in accordance with the RF, including any schedules to such resettlement action plan, as said resettlement action plan may be revised from time to time with the prior written agreement of the Association; and “RAPs” means, collectively, all such RAPs.

39. “Resettlement Framework” and its acronym “RF” means the Resettlement Framework: Kiribati Outer Islands Transport Infrastructure Investment Project-KOITIIP prepared and adopted by the Recipient, satisfactory to the Association, dated November 2019, disclosed in-country, and the Association’s website on January 26, 2020, which sets out the resettlement principles, guidelines, organizational arrangements (including consultation and budget), and design criteria for the preparation of RAPs under the Project, including any schedules to such framework, as such framework may be amended from time to time with the prior written agreement of the Association.

40. “Safeguard Instruments” means collectively, the ESMF, the RF, the CERC ESMF, any CERC ESMP, any ESIA, any ESMP and any RAP, and “Safeguard Instrument” means any of such Safeguard Instruments.
41. “Safeguard Policies” means, the Operational Policies (Ops) and Bank Procedures (BPs) of the Association, namely 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); they can be found at https://policies.worldbank.org.

42. “Selected Outer Islands” means Recipient’s islands of Abaiang, Nonouti, Beru, Tabiteuea South and/or any other islands selected in accordance with the criteria and procedures detailed in the Project Operations Manual.

43. “Signature Date” means the later of the two dates on which the Recipient and the Association signed this Agreement and such definition applies to all references to “the date of the Financing Agreement” in the General Conditions.

44. “Trainings and Workshops” means the reasonable costs incurred by the Recipient, and included in the Annual Work Plans and Budgets accepted ex-ante by the Association, for trainings and workshops carried out under the Project, including purchase, translation and publication of materials, rental of facilities, course fees, workshop supplies, rental of equipment, reasonable honorarium/stipend of resource persons, and travel, accommodation and subsistence of participants, but excluding fees of consultants.