Honorale Elbuchel Sadang  
Minister of Finance  
Ministry of Finance  
PO Box 6011  
Koror, 96940  
REPUBLIC OF PALAU

Re: APIP Grant No. TF0A7208  
Republic of Palau: ICT Sector Technical Assistance Project  
Letter Agreement

Dear Minister:

In response to the request for financial assistance made on behalf of the Republic of Palau ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development ("World Bank"), acting as administrator of grant funds provided by the Government of the Commonwealth of Australia Represented by the Department of Foreign Affairs and Trade ("Donor") under the Australia-Pacific Islands Partnership Trust Fund ("APIP Trust Fund"), proposes to extend to the Recipient, a grant in an amount not to exceed six hundred thousand Dollars (USD 600,000) ("Grant") on the terms and conditions set forth or referred to in this letter agreement ("Agreement"), which includes the attached Annex, to assist in the financing of the project described in the Annex ("Project").

This Grant is funded out of the abovementioned trust fund for which the World Bank receives periodic contributions from the Donor. In accordance with Section 3.02 of the Standard Conditions (as defined in the Annex to this Agreement), the World Bank’s payment obligations in connection with this Agreement are limited to the amount of funds made available to it by the Donor under the abovementioned trust fund, and the Recipient’s right to withdraw the Grant proceeds is subject to the availability of such funds.

The Recipient represents, by confirming its agreement below, that it is authorized to enter into this Agreement and to carry out the Project in accordance with the terms and conditions set forth or referred to in this Agreement.

1818 H Street NW • Washington, DC 20433 USA
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.

Sincerely,
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
acting as administrator of the Australia-Pacific Islands Partnership Trust Fund

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

AGREED:
REPUBLIC OF PALAU

By
Authorized Representative

Name: Eibertel Sasanz
Title: Minister of Finance
Date: Marj 01, 2018

Enclosures
(2) Disbursement Letter of the same date as this Agreement, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017
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:


(b) “BSCC” means the Belau Submarine Cable Company, established and operating pursuant to the Belau Submarine Cable Corporation Act, or any successor thereto.

(c) “ICT” means information and communications technology.

(d) “Ministry of Finance” means the Recipient’s Ministry responsible for finance, or any successor thereto.

(e) “Ministry of Public Infrastructure, Industries and Commerce” means the Recipient’s Ministry responsible for public infrastructure, industries and commerce, or any successor thereto.

(f) “PNCC” means the Palau National Communications Corporation, established and operating pursuant to the Palau National Communications Corporation Act, or any successor thereto.

(g) “Procurement Plan” means the Recipient’s procurement plan for the Project, dated November 14, 2017 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.

(h) “Procurement Regulations” means the “World Bank Procurement Regulations for IPF Borrowers” dated July 2016.

(i) “Project Management Office” means the Recipient’s project management office under the Ministry of Finance, established and maintained pursuant to Section 2.03(b) of the Annex to this Agreement.

Article II
Project Execution

2.01. *Project Objectives and Description.* The objective of the Project is to support the Recipient on its ongoing reforms to help create the conditions necessary to increase competition in the ICT sector. The Project consists of the following parts:

Part 1. Technical Assistance to Support ICT Sector Reform and Development

Provision of advisory services to support ICT sector reform and development, including, but not limited to: (a) hiring of an interim general manager to help lead PNCC during the period of market opening and liberalization; (b) providing technical assistance and conducting analysis related to market design, ICT sector reorganization and development of options to promote new private sector investment in the ICT sector; and (c) carrying out of activities to support the establishment of an independent regulatory function for the ICT sector.

Part 2. Project Management and Implementation Support

Provision of technical assistance to support the Ministry of Finance on Project management and implementation activities.

2.02. *Project Execution Generally.* The Recipient declares its commitment to the objective of the Project. To this end, the Recipient shall carry out the Project through its Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) Anti-Corruption Guidelines; and (c) this Article II.

2.03. Institutional and Other Arrangements. (a) *Working Group.* The Recipient shall maintain, throughout Project implementation period, a working group with mandate, composition and resources satisfactory to the World Bank, which shall be responsible for providing oversight and strategic guidance on Project implementation and ensuring coordination among relevant parties on Project implementation. Without limitation on the foregoing, such working group shall be composed of representatives from, *inter alia*, the Ministry of Finance, the Ministry of Public Infrastructure, Industries and Commerce, the PNCC and the BSCC.

(b) *Project Management Office.* The Recipient shall establish and maintain, throughout Project implementation period, the Project Management Office within the Ministry of Finance, with mandate, composition and resources satisfactory to the World Bank, which shall be responsible for, *inter alia*, day-to-day Project coordination, management and implementation activities, including carrying out of Project financial management and procurement activities; monitoring and evaluation of Project activities; and preparing financial, monitoring and evaluation and progress reports. Without limitation to the generality of the foregoing, the Project Management Office shall include a Project manager, with terms of reference, qualifications and experience satisfactory to the World Bank.

(c) *Safeguards.* The Recipient shall ensure that all terms of reference for any advisory services, technical assistance or analysis carried out under the Project are consistent with, and pay due attention to, the World Bank’s environmental and social safeguards policies, as well as the Recipient’s laws and regulations relating to the environment and social aspects relevant to the Project.
2.04. **Donor Visibility and Visit.** (a) The Recipient shall take or cause to be taken all such measures as the World Bank may reasonably request to identify publicly the Donor’s support for the Project.

(b) For the purposes of Section 2.09 of the Standard Conditions, the Recipient shall, upon the World Bank’s request, enable the representatives of the Donor to visit any part of the Recipient’s territory for purposes related to the Project.

2.05. **Project Monitoring, Reporting and Evaluation.** (a) The Recipient shall monitor and evaluate the progress of the Project and prepare Project Reports in accordance with the provisions of Section 2.06 of the Standard Conditions and on the basis of the indicators acceptable to the World Bank. Each Project Report shall cover the period of one (1) calendar semester, and shall be furnished to the World Bank not later than one (1) month after the end of the period covered by such report.

(b) The Recipient shall prepare the Completion Report in accordance with the provisions of Section 2.06 of the Standard Conditions. The Completion Report shall be furnished to the World Bank not later than six (6) months after the Closing Date.

2.06. **Financial Management.** (a) The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

(b) The Recipient shall ensure that interim unaudited financial reports for the Project 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 Section 2.07 (b) of the Standard Conditions. Each audit of the Financial Statements shall cover the period of one (1) fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than nine (9) months after the end of such period.

2.07. **Procurement.** All consulting services required for the Project and to be financed out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the Procurement Regulations, and the provisions of the Procurement Plan.

Article III

Withdrawal of Grant Proceeds

3.01. **Eligible Expenditures.** The Recipient may withdraw the proceeds of the Grant 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 consulting services, 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 this Agreement.
3.03. **Withdrawal Period.** The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is April 30, 2022.

**Article IV**
**Recipient's Representative; Addresses**

4.01. **Recipient's Representative.** The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is its Minister at the time responsible for finance.

4.02. **Recipient's Address.** The Recipient’s Address referred to in Section 7.01 of the Standard Conditions is:

Ministry of Finance  
PO Box 6011  
Koror, 96940  
Republic of Palau

Facsimile:

+680 767-5642

4.03. **World Bank's Address.** The World Bank’s Address referred to in Section 7.01 of the Standard Conditions is:

International Bank for Reconstruction and Development  
1818 H Street, N.W.  
Washington, D.C. 20433  
United States of America

Telex:  
Facsimile:

248423 (MCI) or 1-202-477-6391  
64145 (MCI)