



May 23, 2018

Hon. Gaetan Pikioune
Minister of Finance and Economic Management
Ministry of Finance and Economic Management
Private Mail Bag 9058
PORT VILA
VANUATU

Dear Minister,

***Republic of Vanuatu: Amended and Restated Second Grant Agreement for
Republic of Vanuatu's Readiness Preparation Proposal Readiness Fund of the
FCPF Grant No. TF019203***

I refer to the Grant Agreement between the Republic of Vanuatu ("Recipient") and the International Bank for Reconstruction and Development ("World Bank"), acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility ("FCPF"), dated March 31, 2010 ("Readiness Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in an amount not to exceed two hundred thousand United States Dollars (US\$200,000) for formulating the Readiness Preparation Proposal. Further, the Recipient and the World Bank entered into a second Grant Agreement dated April 10, 2015 ("Second Grant Agreement"), pursuant to which the World Bank agreed to provide to the Recipient a grant in an amount not to exceed three million six hundred thousand United States Dollars (US\$3,600,000) ("Original Grant") to enable the Recipient to carry out Readiness Preparation Activities.

The Participants Committee of the FCPF ("PC") has reviewed the request for an additional funding submitted by the Recipient, in accordance with the process as specified in Resolution PC/12/2012/2. Through its Resolution PC/Electronic/2018/4, the PC decided to allocate additional grant funding to the Recipient in the amount of up to two million five hundred thousand United States Dollars (US\$2,500,000), to enable it to continue with the carrying out of the Readiness Preparation Activities, subject to the terms and conditions set out in said Resolution.

In response to the request for financial assistance made on behalf of the Recipient and the decisions of the PC referred to above, the World Bank has agreed to extend to the Recipient two million five hundred United States Dollars (US\$2,500,000) ("Additional Grant"). Accordingly, the World Bank proposes to amend and restate the Second Grant Agreement ("Agreement") to read as above and as follows:

The World Bank agrees to increase the total grant amount made available to the Recipient for the carrying out of the Readiness Preparation Activities to six million one hundred thousand United States Dollars (US\$6,100,000), which consists of: (a) the Original Grant equal to three million six hundred thousand United States Dollars (US\$3,600,000); and (b) the Additional Grant equal to two million five hundred thousand United States Dollars (US\$2,500,000) (together referred to as the "Grant"), upon the terms and conditions set forth or referred to in this Agreement, which includes the attached Annex.

This Grant is funded out of the abovementioned FCPF trust fund for which the World Bank receives periodic contributions from the donors. 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 donors 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 Readiness Preparation Activities in accordance with the terms and conditions set forth or referred to in this Agreement.

Since the execution of the Readiness Grant Agreement, the Charter Establishing the FCPF ("Charter") has been amended, and the terms and conditions of this Agreement are based on the Charter, as so amended. Where there are inconsistencies between the Readiness Grant Agreement and this Agreement including in the use of terms, the provisions in this Agreement shall prevail and deemed to have accordingly amended the provisions of the Readiness Grant Agreement to eliminate any such inconsistency.

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.

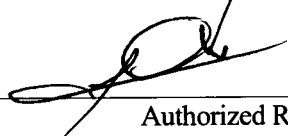
Very truly yours,

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
(Acting as Trustee of the Readiness Fund of the Forest Carbon Partnership Facility)

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

AGREED:
REPUBLIC OF VANUATU



By: 
Authorized Representative

Name: Gaetan Pikioune

Title: Minister of Finance and Economic Management

Date: 05 June 2018

Enclosures:

- (1) Standard Conditions for Grants Made by the World Bank Out of Various Funds, dated February 15, 2012.
- (2) Charter Establishing the Forest Carbon Partnership Facility, dated November 23, 2015.
- (3) Disbursement Letter of even date herewith, together with the “Disbursement Guidelines for Investment Project Financing”, dated February 2017.
- (4) 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.
- (5) 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 in July 2014.
- (6) Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers, dated January 2011, revised in July 2014.

ANNEX

Article I
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions, with the modifications set forth in the Appendix to this Agreement, 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, the Charter 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.
- (b) “Department of Forestry” means a department in the Recipient’s ministry responsible for forestry, or any successor thereto.
- (c) “Environmental and Social Management Framework” or “ESMF” means the environmental and social management framework acceptable to the World Bank, which establishes the modalities and procedures to address potential negative environmental and social impacts from the implementation of REDD+ investments and demonstration activities as well as associated mitigation measures through employing best practices; and includes the screening criteria, procedures and institutional responsibilities for the safeguard policies that are triggered for subsequent REDD+ investments. The ESMF, as necessary, will also include a Resettlement Policy Framework and/or a Process Framework, as determined by the outcome of the SESA process, as the same may be modified from time to time by agreement between the Recipient and the World Bank.
- (d) “Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Energy, Environment and Disaster Management” means the Recipient’s ministry responsible for, inter alia, climate change, or any successor thereto
- (e) “National Advisory Board on Climate Change and Disaster Risk Reduction” or “NAB” means the Recipient’s advisory body responsible for all climate change and disaster risk reduction programs, projects, initiatives and activities.
- (f) “National REDD+ Unit” means a unit which will be established by this Grant within the Recipient’s Department of Forestry to manage implementation of the Readiness Preparation Activities.
- (g) “Operating Costs” means the reasonable costs, as shall have been approved by the World Bank, for the incremental expenses incurred on account of the implementation of the Readiness Preparation Activities, consisting of vehicle operation and maintenance, communication and insurance costs, banking charges, rental expenses, office (and office equipment) maintenance, utilities, document duplication/printing, consumables, travel cost and *per diem* for staff for travel linked to the implementation of the Readiness Preparation Activities, and salaries of contractual staff for the Readiness Preparation Activities (but excluding consultants’ services and salaries of officials of the Recipient’s civil service).

- (h) “Project Management Unit” or “PMU” means the climate change and disaster risk reduction program management unit in the Recipient’s Meteorological and Geo-Hazards Department, and which serves as the secretariat of the NAB.
- (i) “Process Framework” means the process framework acceptable to the World Bank, which establishes the modalities and procedures to address the restrictions in access to natural resources in legally designated parks and protected areas resulting from the implementation of REDD+ investments and demonstration activities.
- (j) “Provincial REDD+ Committees” means the committees at the provincial level to help support implementation of the Readiness Preparation Activities.
- (k) “REDD+” means reducing greenhouse gas emissions from deforestation and forest degradation, conservation of forest carbon stocks, sustainable management of forest, and enhancement of forest carbon stocks.
- (l) “REDD+ Technical Committee” means the multi-sectoral committee composed of the Recipient’s agencies representing forestry, agriculture, climate change, land tenure, trade, commerce, and financial sectors.
- (m) “Resettlement Policy Framework” or “RPF” means the resettlement policy framework to be prepared by the Recipient as part of the ESMF, providing procedures and guidelines for the preparation, adoption, implementation, and monitoring of Resettlement Action Plan or Plans.
- (n) “Safeguard Documents” means the ESMF, RPF, Process Framework, and SESA.
- (o) “Strategic Environmental and Social Assessment” or “SESA” means the strategic environment and social assessment to be conducted by the Recipient as part of the REDD+ readiness process, acceptable to the World Bank, to assess the potential impact of national REDD+ programs and policies, formulate alternatives and mitigation strategies, enhance the decision making process regarding the design of the national REDD+ framework, and address critical issues related to, inter alia, forest governance and resources and the potential impact from national REDD+ activities.
- (p) “Standard Conditions” means the Standard Conditions for Grants made by the World Bank out of Various Funds dated February 15, 2012.
- (q) “Training and Workshops” means the reasonable costs, as shall have been approved by the World Bank, for training and workshops conducted under the Readiness Preparation Activities, including tuition, travel and subsistence costs for training and workshop participants, costs associated with securing the services of trainers and workshop speakers, rental of training and workshop facilities, preparation and reproduction of training and workshop materials, and other costs directly related to training courses and workshop preparation and implementation (but excluding goods and consultant’s services).
- (r) “Vanuatu Meteorological and Geo-hazards Department” means the Recipient’s department within the Ministry of Climate Change Adaptation, Meteorology, Geo-Hazards, Energy, Environment and Disaster Management, or any successor thereto.

Article II

Execution of the Readiness Preparation Activities

2.01. ***Readiness Preparation Activities Objectives and Description.*** The objective of the Grant is to assist the Recipient to carry out the Readiness Preparation Activities by supporting the preparation of its REDD+ strategy through a participatory and inclusive process, and by producing technical and policy advice to help strengthen sustainable land and forest management practices. The Readiness Preparation Activities consist of the following parts:

Part 1. Institutional Strengthening of REDD+ Management Arrangements at the National and Decentralized Levels

Carrying out a program of activities designed to strengthen the institutions and management arrangements for REDD+ at the national and decentralized levels, including: a) establishing and operationalizing the National REDD+ Unit and supporting the REDD+ Technical Committee through training and study tours, and providing financial, technical, and human resources support; b) supporting the NAB and the Project Management Unit through training and study tours, and providing financial, technical, and human resources support; c) establishing and operationalizing the Provincial REDD+ Committees; d) refurbishing REDD+ offices located in Tanna and Erromango required for REDD+ activities, as identified by the National REDD+ Unit; e) consulting and training farmers groups on REDD+ activities.

Part 2. Strengthening of the Stakeholder Engagement Process at the Decentralized Level

Carrying out a program of activities designed to strengthen the stakeholder engagement process at the decentralized level regarding REDD+, including: a) strengthening participatory structures at the provincial and area council levels to support stakeholder engagement in REDD+ process; and b) assessing existing feedback and grievance redress mechanisms at the national and decentralized levels and supporting their strengthening specifically for REDD+.

Part 3. Development of a REDD+ Strategy

Carrying out a program of activities to develop and finalize the REDD+ strategy, including: a) supporting analytical work to inform REDD+ strategy options, including on drivers and underlying causes of deforestation and forest degradation, land ownership and title to emission reductions, and existing benefit sharing arrangements; b) undertaking SESA activities and consultations, and preparing an ESMF; and c) conducting consultations and participation activities on key issues related to REDD+, including drivers and underlying causes of deforestation and degradation, REDD+ strategy options, legal implications of activity-based approach for REDD+, and benefit sharing arrangement.

Part 4. Establishing a National Forest Monitoring System

Carrying out a program of activities to establish and finalize a national forest monitoring system, including: a) developing and operationalizing a measuring, reporting, and verification system, including finalizing forest inventories; b) capacity building and strengthening of the forest monitoring system, including upgrading the database system; and c) developing and operationalizing a safeguards information systems.

2.02. ***Readiness Preparation Activities Execution Generally.*** The Recipient declares its commitment to the objectives of the Readiness Preparation Activities. To this end, the Recipient shall carry out the Readiness Preparation Activities through the National REDD+ Unit, in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) the Anti-Corruption Guidelines; and (c) this Article II.

2.03. ***Institutional and Other Arrangements.*** Without limitation upon the provisions of Section 2.02 above, the Recipient shall ensure that, until the Closing Date, the National REDD+ Unit, REDD+ Technical Committee, NAB, PMU and the Provincial REDD+ Committees have assigned sufficient staff and resources, as acceptable to the World Bank, in order to carry out the Readiness Preparation Activities.

2.04 ***Safeguards.*** Without limitation upon the provision of Section 2.02 above and in order to ensure proper implementation of the Readiness Preparation Activities in an environmentally and socially responsible manner, the Recipient shall:

(a) ensure that all: (i) terms of reference for any technical assistance or studies carried out under the Readiness Preparation Activities; and (ii) Safeguard Documents to be prepared for the Readiness Preparation Activities are so prepared in a manner acceptable to the World Bank and consistent with the World Bank's environmental and social safeguard policies, as well as the Recipient's own laws relating to the environment and social aspects;

(b) in drafting any laws or regulations under the Readiness Preparation Activities, give due attention to said policies and laws; and

(c) in carrying out the SESA, engage with broad stakeholders including civil society organizations, and carry out free, prior and informed consultations with forest dependent people and ethnic groups leading to their broad community support to the objectives and outputs of the Readiness Preparation Activities.

2.05. ***Completion Report.*** The Recipient shall prepare and furnish to the World Bank not later than six months after the Closing Date, a Completion Report in accordance with the provision of Section 2.06 of the Standard Conditions.

2.07. ***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 Donors' support for this Readiness Preparation Activities.

(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 to visit any part of the Recipient's territory for purposes related to this Readiness Preparation Activities.

2.08. ***Documents; Records.***

In addition and without limitation to the obligations set forth in Section 2.05 of the Standard Conditions, the Recipient shall ensure that:

(a) all records evidencing expenditures under the Project are retained for seven years and six months after the Closing Date, such records to include: (i) this Agreement, all addenda thereof, and any amendments thereto; (ii) the Recipient's financial and narrative progress reports submitted to the World Bank; (iii) the Recipient's financial information related to the Grant, including audit reports, invoices and payroll records; (iv) the Recipient's implementation documentation (including sub-agreements, procurement files, contracts, purchase orders); and (v) the corresponding supporting evidence referred to in Section 3.04 of the Standard Conditions; and

(b) the representatives of the World Bank are: (i) able to examine all records referred to above in paragraph (a); (ii) provided all such information concerning such records as they may from time to time reasonably request; and (iii) able to disclose such records and information to the Donor.

2.09. **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 Readiness Preparation Activities are prepared and furnished to the World Bank not later than forty-five (45) days after the end of each calendar quarter, covering the quarter, in form and substance satisfactory to the World Bank.

(c) The Recipient shall have its Financial Statements audited in accordance with the provisions of 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 six (6) months after the end of such period.

2.10. **Procurement** (a) All goods, non-consulting services, and/or consulting services required for the Readiness Preparation Activities and to be financed, fully or partially, out of the proceeds of the Grant shall be procured in accordance with the requirements set forth or referred to in the "Guidelines; Procurement of Goods, Works and Non-consulting Services under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011, revised July 2014 ("Procurement Guidelines"), and the "Guidelines: selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers," dated January 2011, revised July 2014 ("Consultant Guidelines").

(b) Any contract for Eligible Expenditures to be financed in full or in part out of the proceeds of the Grant shall be included in the procurement plan prepared by the Recipient and approved by the Bank in accordance with the Procurement Guidelines and the Consultant Guidelines, prior to initiating the procurement process for any such contract.

(c) Notwithstanding the provisions of paragraphs 2(j) and 5 of Appendix 1 to the Procurement Guidelines, and paragraphs 2(k) and 5 of Appendix 1 to the Consultant Guidelines, the Recipient: (i) shall retain all documentation with respect to each contract as described in said paragraphs for at least seven years and six months after the Closing Date set forth in Section 3.03 of this Agreement; (ii) shall furnish such documentation to the World Bank at any time upon request; and (iii) hereby authorizes the World Bank to disclose such documentation to the Donor.

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 goods, non-consulting services, consultants' services, Training and Workshops and Operating Cost, 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 June 30, 2020.

**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 and Economic Management
Private Mail Bag 9058
PORT VILA
VANUATU

Facsimile:
+678 27937

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 64145 (MCI)	1-202-477-6391

APPENDIX
Modifications to the Standard Conditions

The Standard Conditions are modified as follows:

1. The following term and definition shall be added to the Appendix to the Standard Conditions as paragraph 18 bis to read as follows:

18bis “Readiness Preparation Activities’ means the activities, described in the Agreement, for which the Grant is made, as the description of said activities may be amended from time to time by agreement between the Recipient and the World Bank.”

2. The term “Project” and its definition shall be deleted in their entirety from the Standard Conditions; and all references throughout the Standard Conditions to the term “Project” shall be deemed to refer to the “Readiness Preparation Activities.”