Food Price Crisis Response
Multi-donor Trust Fund
Grant Agreement

(Food Crisis Response Operation Project)

between

REPUBLIC OF KIRIBATI

and

INTERNATIONAL DEVELOPMENT ASSOCIATION
acting as administrator of Multi-Donor Trust Fund for Food Price Crisis Response

Dated May 6, 2011
FOOD PRICE CRISIS RESPONSE MULTI-DONOR TRUST FUND
GRANT AGREEMENT

AGREEMENT dated , 2011, entered into between:
REPUBLIC OF KIRIBATI ("Recipient"); and INTERNATIONAL DEVELOPMENT
ASSOCIATION ("World Bank"), acting as administrator of the Food Price Crisis
Response Multi-Donor Trust Fund.

The Recipient and the World Bank hereby agree as follows:

Article I
Standard Conditions; Definitions

1.01. The Standard Conditions for Grants Made by the World Bank Out of Various
Funds, dated July 31, 2010 ("Standard Conditions") constitute an integral part of
this Agreement.

1.02. Unless the context requires otherwise, the capitalized terms used in this
Agreement have the meanings ascribed to them in the Standard Conditions or in
this Agreement, and the following additional terms shall have the following
meanings:

(i) "ILF" means the fund established by the Recipient pursuant to Section 5
of the Import Levy (Special Fund) Ordinance, known as the Import Levy
Fund, for the purpose of subsidizing the transport of goods within the
Gilbert Islands;

(ii) "Import Levy (Special Fund) Ordinance" means the ordinance set forth
in Chapter 42 of the Laws of the Gilbert Islands Revised Edition 1977, as
amended to the date hereof;

(iii) "MFED" means the Recipient’s Ministry of Finance and Economic
Development, or any successor thereto.

(iv) "Transport Subsidy" means a payment made out of the proceeds of the
ILF, in accordance with the Import Levy (Special Fund) Ordinance and
regulations established pursuant thereto, to a wholesaler to subsidize
(i) shipping costs (excluding wharfage and handling costs) of food items
transported from South Tarawa to the outer islands within the
Recipient’s territory, being as all islands in Kiribati except South
Tarawa; or (ii) shipping costs of locally grown agricultural produce (excluding copra, seaweed and sea-cucumber) from said outer islands to South Tarawa.

Article II
The Project

2.01. The Recipient declares its commitment to the objective of the project described in Schedule 1 to this Agreement ("Project"). To this end, the Recipient shall carry out the Project through MFED in accordance with the provisions of Article II of the Standard Conditions.

2.02. Without limitation upon the provisions of Section 2.01 of this Agreement, and except as the Recipient and the World Bank shall otherwise agree, the Recipient shall ensure that the Project is carried out in accordance with the provisions of Schedule 2 to this Agreement.

Article III
The Grant

3.01. The World Bank agrees to extend to the Recipient, on the terms and conditions set forth or referred to in this Agreement, a grant in an amount equal to two million United States Dollars ($2,000,000) ("Grant") to assist in financing the Project.

3.02. The Recipient may withdraw the proceeds of the Grant in accordance with Section III of Schedule 2 to this Agreement.

3.03. The Grant is funded out of the above-mentioned trust fund for which the World Bank receives periodic contributions. In accordance with Section 3.02 of the Standard Conditions, the Recipient may withdraw the Grant proceeds subject to the availability of such funds.

Article IV
Recipient's Representative; Addresses

4.01. The Recipient’s Representative referred to in Section 7.02 of the Standard Conditions is the Minister of Finance.

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

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

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

AGREED at Hanoi, Socialist Republic of Vietnam, as of the day and year first above written.

REPUBLIC OF KIRIBATI

By/s/ Natan Teewe

Authorized Representative

INTERNATIONAL DEVELOPMENT ASSOCIATION, acting as administrator of the Food Price Crisis Response Multi-Donor Trust Fund

By/s James W. Adams

Authorized Representative
SCHEDULE 1

Project Description

The objective of the Project is to contribute to the Government of Kiribati’s short-term efforts to improve the availability and affordability of food on the outer islands of Kiribati and encourage the production of local agricultural produce.

The Project consists of the provision of Transport Subsidies.
SCHEDULE 2

Project Execution

Section I. Institutional and Other Arrangements

A. Institutional Arrangements

The Recipient, through MFED, shall establish prior to the implementation of the Project and thereafter maintain until the completion of the Project, a project implementation team, consisting of qualified staff in sufficient numbers and under terms of reference satisfactory to the Association, which shall be responsible for the overall coordination, implementation, monitoring and evaluation of the Project activities, and including:

(i) MFED’s Accountant General who shall have the overall responsibility for Project implementation, management, supervision, and reporting; and

(ii) a project assistant.

B. Anti-Corruption

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

Section II. Project Monitoring, Reporting and Evaluation

A. Project Reports; Completion Report

1. (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 set forth below in sub-paragraph (b) of this paragraph. Each Project Report shall cover the period of six (6) months, and shall be furnished to the World Bank not later than forty five (45) days after the end of the period covered by such report.

(b) The performance indicators referred to above in sub-paragraph (a) consist of the following:

(i) the quantity of major food items (rice and flour) shipped to the outer islands from Tarawa; and
(ii) the quantity of agricultural produce shipped from the outer islands to South Tarawa.

2. 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.

B. Financial Management; Financial Reports; Audits

1. The Recipient shall ensure that a financial management system is maintained in accordance with the provisions of Section 2.07 of the Standard Conditions.

2. 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 quarter, covering the quarter, in form and substance satisfactory to the World Bank.

3. The Recipient shall have its Financial Statements for the Project audited in accordance with the provisions of Section 2.07(b) of the Standard Conditions. Each such 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 each period.

4. The Recipient shall have the financial statements of the ILF audited by independent auditors acceptable to the World Bank in accordance with consistently applied auditing standards and under terms of reference acceptable to the World Bank. Each such audit of ILF’s financial statements shall cover the period of one (1) fiscal year. The audited financial statements for each such period shall be furnished to World Bank no later than six (6) months after the end of such period, together with such other information concerning such audited statements and such auditors as the World Bank may from time to time reasonably request. The financial statements so audited shall be made publicly available in a timely fashion and in a manner acceptable to the World Bank.

Section III. Withdrawal of Grant Proceeds

A. General

1. 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 “World Bank Disbursement Guidelines for Projects” dated May 2006, 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 Transport Subsidies.

B. **Withdrawal Conditions; Withdrawal Period**

1. Notwithstanding the provisions of Part A of this Section no withdrawal shall be made for payments made prior to the date of this Agreement, except that withdrawals up to an aggregate amount not to exceed $800,000 equivalent may be made for payments made prior to this date but on or after May 1, 2010, for Eligible Expenditures.

2. The Closing Date referred to in Section 3.06(c) of the Standard Conditions is December 31, 2012.