August 7, 2013

The Hon. Dennis P. Momotaro
Minister of Finance
Ministry of Finance
P.O. Box D
Majuro 96960
Republic of the Marshall Islands

Re: PRIF Grant No. TF015226
Telecommunications and ICT Technical Assistance Project

Dear Sir:

In response to the request for financial assistance made on behalf of the Republic of the Marshall Islands ("Recipient"), I am pleased to inform you that the International Bank for Reconstruction and Development and the International Development Association (collectively the "World Bank"), acting as administrator of grant funds provided by various donors ("Donors") under the Pacific Regional Infrastructure Fund ("PRIF"), proposes to extend to the Recipient a grant in an amount not to exceed one million two hundred and fifty thousand United States Dollars (U.S.$1,250,000) ("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 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 Project in accordance with the terms and conditions set forth or referred to in this Agreement.

Please confirm the Recipient's agreement to the foregoing by having an authorized official of the Recipient sign and date the enclosed copy of this Agreement, and returning it to the World Bank. Upon receipt by the World Bank of this countersigned copy, this Agreement shall become effective as of the date of the countersignature; provided, however, that the offer of this Agreement shall be deemed withdrawn if the World Bank has not received the countersigned
copy of this Agreement within 90 days after the date of signature of this Agreement by the World Bank, unless the World Bank shall have established a later date for such purpose.

Very truly yours,

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT/INTERNATIONAL DEVELOPMENT
ASSOCIATION

By

Juan Carlos Mendoza
Acting Country Director
Timor-Leste, Papua New Guinea and Pacific Islands
East Asia and Pacific Region

AGREED

REPUBLIC OF THE MARSHALL ISLANDS

By

Authorized Representative

Name Dennis Momotaro
Title Minister of Finance
Date 8/14/13

Enclosures:


(2) Disbursement Letter of the same date as this Agreement, together with World Bank Disbursement Guidelines for Projects, dated May 1, 2006
PRIF Grant No. TF015226  
ANNEX

Article I  
Standard Conditions; Definitions

1.01. **Standard Conditions.** The Standard Conditions for Grants Made by the World Bank out of Various Funds dated February 15, 2012 ("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.

(i) "ICT" means information and communications technology.

(ii) "National Telecommunications Authority" means the provider of telecommunications services within the Recipient’s territory, established by the Recipient’s ‘Marshall Islands National Telecommunications Authority Act 1990’.

(iii) "Office of the Regulator" means the Recipient’s agency in charge of regulating the telecommunications sector in the Recipient’s territory and to be created by the Recipient during this Project.

(iv) "Working Group" means the working group established by the Recipient, and chaired by the Recipient’s Secretary of Finance, to lead implementation activity on the restructuring of the National Telecommunications Authority.

Article II  
Project Execution

2.01. **Project Objectives and Description.** The development objective of the Project is to strengthen the legal, regulatory and institutional environment to provide a foundation for improved access and affordability of telecommunications services. The Project consists of the following parts:

**Component 1: Policy and Regulatory Technical Assistance**

Assist the Recipient to: (a) build the capacity of the Ministry of Transport and Communications to undertake its new policy functions efficiently and effectively, (b) establish the Recipient’s Office of the Regulator; and (c) operationalize the Recipient’s Office of the Regulator.

**Component 2: Restructuring the National Telecommunications Authority**

Assist the Working Group to develop options for the restructuring of the Recipient’s National Telecommunications Authority for the liberalization of the national telecommunications market and resulting actions in order to strengthen the National Telecommunications Authority’s capacity to operate in a competitive market, by supporting: (a) the development of options for establishing an infrastructure access entity; (b) implementation of preferred option for infrastructure access; and (c) restructuring the National Telecommunications Authority.
Component 3: Capacity building for the National Telecommunications Authority

Assess, provide recommendations for and implement measures to improve the operational and financial performance of the National Telecommunications Authority having regard to the Recipient's objectives for said entity and the ICT sector, including *inter alia*, corporate reorganization and change management.

Component 4: Project Coordination

Assist the Recipient's Ministry of Finance to apply World Bank policies, procedures, reporting requirements, contracting, procurement and other guidelines, and to coordinate the various activities of the consultants financed under the Project.

2.02. Project Execution Generally. The Recipient declares its commitment to the objectives of the Project. To this end, the Recipient shall carry out the Project through the Recipient’s Ministry of Finance in accordance with the provisions of: (a) Article II of the Standard Conditions; (b) 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"); and (c) this Article II.

2.03. Institutional and Other Arrangements. (a) The Recipient's Ministry of Finance will be in charge of the overall implementation of the Project in close collaboration with the Recipient's Ministry of Transport and Communications, the Working Group, the National Telecommunications Authority and, once established, the Office of the Regulator.

(b) The Recipient shall, no later than three months after effectiveness, appoint and thereafter maintain until the completion of the Project a qualified Project Coordinator, with functions and terms of reference acceptable to the World Bank, to be in charge of overall implementation and fiduciary responsibilities for 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, take all measures required on its part to enable the representatives of the Donors 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 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 forty five (45 days 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 as part of the Project Report 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 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 fiscal year of the Recipient. The audited Financial Statements for each such period shall be furnished to the World Bank not later than six months after the end of such period.

2.07. **Procurement**

(a) **General.** All consultants' 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:

(i) Sections I and IV of the “Guidelines: Selection and Employment of Consultants under IBRD Loans and IDA Credits and Grants by World Bank Borrowers” dated January 2011 (“Consultant Guidelines”) in the case of consultants' services; and

(ii) the provisions of this Section, as the same shall be elaborated in the procurement plan prepared and updated from time to time by the Recipient for the Project in accordance with paragraph 1.25 of the Consultant Guidelines (“Procurement Plan”).

(b) **Definitions.** The capitalized terms used in the following paragraphs of this Section to describe particular procurement methods or methods of review by the World Bank of particular contracts, refer to the corresponding method described in Sections II, III, IV and V of the Consultant Guidelines, as the case may be.

(c) **Particular Methods of Procurement of Consultants' Services**

(i) Except as otherwise provided in item (ii) below, consultants' services shall be procured under contracts awarded on the basis of Quality- and Cost-based Selection.

(ii) The following methods, other than Quality- and Cost-based Selection, may be used for the procurement of consultants' services for those assignments which are specified in the Procurement Plan: (A) Quality-based Selection; (B) Selection based on Consultants' Qualifications; and (C) Selection of Individual Consultants.

(d) **Review by the World Bank of Procurement Decisions.** The Procurement Plan shall set forth those contracts which shall be subject to the World Bank's Prior Review. All other contracts shall be subject to Post Review by the World Bank.
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 “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 consultants’ services, and Incremental Operating Costs, inclusive of Taxes.

“Incremental Operating Costs” means the operating costs incurred on account of the implementation of the Project, as included in an annual budget approved by the World Bank, including office supplies and consumables, utilities, bank charges, communications, mass media and printing services, and travel, lodging and per diems (as indicated in a budged approved by the World Bank), but excluding salaries of officials of the Recipient’s civil service.

3.02. Withdrawal Conditions. Notwithstanding the provisions of Section 3.01 of this Agreement, no withdrawal shall be made for payments made prior to the date of countersignature of this Agreement by the Recipient except that withdrawals up to an aggregate amount not to exceed one hundred and twenty-five thousand US dollars (US$125,000) equivalent may be made for payments made twelve months prior to this date for Eligible Expenditures.

3.03. Withdrawal Period. The Closing Date referred to in Section 3.06 (c) of the Standard Conditions is August 31, 2016.

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 of Finance.

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

Ministry of Finance
P.O. Box D
Majuro 96960

Facsimile:
(962) 6253607

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