
GRANT NUMBER E429-FM

Financing Agreement

**(Access and Renewable Increase for Sustainable Energy Project
As Phase 3 of the Multi-Phase Programmatic Approach
Accelerating Sustainable Energy Transition)**

between

FEDERATED STATES OF MICRONESIA

and

INTERNATIONAL DEVELOPMENT ASSOCIATION

FINANCING AGREEMENT

AGREEMENT dated as of the Signature Date between FEDERATED STATES OF MICRONESIA (“Recipient”) and INTERNATIONAL DEVELOPMENT ASSOCIATION (“Association”). 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 thirty-two million three hundred thousand Special Drawing Rights (SDR32,300,000) (“Financing”) to: (a) assist in financing the project described in Schedule 1 to this Agreement (“Project”); and (b) provide the Rapid Response Option (“RRO”).
- 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 January 15 and July 15 in each year.
- 2.05. The Payment Currency is Dollar.

ARTICLE III — PROJECT; CONTINGENT EMERGENCY RESPONSE PROJECT

- 3.01. The Recipient declares its commitment to the objectives of the Project, the MPA Program and the Contingent Emergency Response Project (“CERP”). To this end, the Recipient shall: (a) carry out the Project in accordance with the provisions of Article V of the General Conditions and Schedule 2 to this Agreement; and (b) shall carry out, or cause to be carried out, the CERP in accordance with Article V of the General Conditions.

ARTICLE IV — REMEDIES OF THE ASSOCIATION

- 4.01. The Additional Event of Suspension consists of the following, namely that a State Power Utility's Legislation has been amended, suspended, abrogated, repealed or waived so as to affect materially and adversely the ability of any State Power Utility to perform any of its obligations under the Memoranda of Understanding.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.
- 5.02. 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 VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Recipient's Representative is its Secretary at the time responsible for finance and administration.
- 6.02. For purposes of Section 11.01 of the General Conditions:
- (a) the Recipient's address is:
Department of Finance and Administration
P.O. Box PS158
Palikir
Pohnpei
Federated States of Micronesia; and
 - (b) the Recipient's Electronic Address is:

E-mail:
sofa@dofa.gov.fm
- 6.03. 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:

Telex: Facsimile: E-mail:
248423 (MCI) 1-202-477-6391 cdpngpacific@worldbank.org

AGREED as of the Signature Date.

FEDERATED STATES OF MICRONEISA

By



Authorized Representative

Name: Rose Nakanaga

Title: Secretary of Finance and Administration, FSM Nation

Date: 08-Apr-2025

INTERNATIONAL DEVELOPMENT ASSOCIATION

By



Authorized Representative

Name: Stephen N. Ndegwa

Title: Country Director, PNG & Pacific Islands

Date: 04-Apr-2025

SCHEDULE 1

Project Description

The objectives of the Project are to: (i) to increase access to electricity; (ii) improve the reliability of electricity service; and (iii) increase renewable energy generation in targeted Project areas.

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

Part 1: Electricity Service Expansion.

1.1. *Chuuk Islands Electrification.*

- (a) Carry out detailed studies, designs, supply, construction, supervision, and commissioning of solar powered mini grids with minimal back-up diesel generation and stand-alone solar home systems in selected unelectrified Chuuk islands.
- (b) Support the completion of solar-powered mini grid constructions in Udot and Satowan.
- (c) Supply of a boat to facilitate mini grid construction and maintenance.

1.2. *Pohnpei Grid Upgrade.*

- (a) Improve the automation, protection, resilience, and preventive maintenance of the distribution grid in Pohnpei through, *inter alia*: (i) installing nodal points with fiber optic cables and supervisory control and data acquisition (SCADA) systems in the distribution network; (ii) replacing air switches and installing feeder protection relays and automatic fault-detecting reclosers; (iii) replacing aging wooden poles, wooden cross arms, and porcelain insulators in some segments of the distribution network; and (iv) provision of critical operational vehicles and equipment.

1.3. *Yap Grid Resilience*

- (a) Support the resilience of Yap main island distribution network through, *inter alia*: (i) carrying out detailed designs, supply, supervision, and installation of three (3) underground distribution feeders to provide reliable supply to critical facilities; and (ii) provision of critical operational vehicles and equipment.

1.4. *Kosrae Grid Rehabilitation.*

- (a) Support the rehabilitation of segments of the distribution network, including, *inter alia*: (i) relocating power poles installed on erosive shoreline areas in the three main feeders of the network; and (ii) replacing dilapidated wooden poles and associated accessories on some segments on the network.
- (b) Provision of critical operational vehicles and equipment to facilitate preventive maintenance in Kosrae main island.

Part 2: Renewable Energy Generation.

2.1. *Pohnpei Solar Energy Generation.*

- (a) Carry out: (i) detailed studies, designs, supply, installation, commissioning, and supervision of grid-connected solar photovoltaic (PV) energy investments in the Pohnpei island grid; and (ii) rehabilitation of the distribution line/feeder.
- (b) Support adequate power generation monitoring through the carrying out of upgrades to the Pohnpei grid data acquisition system to include solar PV systems.
- (c) Support the testing and commissioning of a generation SCADA system and diesel generators to ensure adequate operation and renewable energy integration.

2.2. *Chuuk Solar Energy Generation.*

- (a) Carry out detailed designs, supply, installation, commissioning, and supervision of grid-connected solar PV energy investments in Chuuk's Weno grid.

Part 3: Institutional Strengthening and Implementation Support.

3.1. *Sector Development Assistance.*

- (a) Provision of technical assistance to: (i) State Power Utilities and governing entities to implement action plans for the adoption of cost recovery tariffs; and (ii) the Department of Resources and Development (DoR&D) to build its regulatory capacity including developing twinning arrangements and a regulatory framework that is conducive for private sector involvement.
- (b) Carry out feasibility studies for outer island electrification and promote productive uses of electricity.

- (c) Provision of technical assistance to DoR&D to develop an energy efficiency policy with an action plan to promote the adoption and implementation of minimum performance standards for equipment.

3.2. *State Power Utility Capacity Strengthening.*

- (a) Provision of technical assistance to support the capacity of the State Power Utilities on operation and maintenance of renewable energy technologies and distribution networks including, *inter alia*: (i) provision of international technical expertise; and (ii) support to establish and operationalize a maintenance fund.
- (b) Carry out a pilot apprenticeship program combining on-the-job training with external academic training for selected State Power Utilities staff to develop certified technical skills and facilitate internships in State Power Utilities.

3.3. *Project Implementation Support.*

Strengthening Project management and implementation, including financial management and procurement, monitoring and evaluation, environmental and social risks management, and citizen engagement activities.

SCHEDULE 2

Project Execution

Section I. Implementation Arrangements

A. Institutional Arrangements

1. Department of Resources and Development

The Recipient shall, through the Department of Resources and Development (DoR&D), be responsible for the overall coordination and implementation of the Project.

2. Project Steering Committee

- (a) The Recipient shall, maintain throughout implementation of the Project, the Project Steering Committee (“PSC”) with mandate, composition and resources satisfactory to the Association, which shall be responsible for: (i) ensuring complementarities and coordination among the state governments and the national government; and (ii) providing oversight and strategic guidance for the Project.
- (b) Without limitation to the generality of the foregoing, the PSC shall be chaired by Secretary of Resources and Development or their designee, and comprised of, *inter alia*, Secretary of Finance and Administration or their designee, and representatives from the Energy Division, the Project Implementation Unit, the Central Implementation Unit, each of the State Power Utilities, and each of the State Governments.

3. Central Implementation Unit

The Recipient shall maintain, throughout the Project implementation period, the Central Implementation Unit, with mandate, composition, and resources satisfactory to the Association, which shall: (a) be responsible for financial management for the Project; and (b) provide implementation support related to procurement, environmental and social management, monitoring and evaluation and communications for the Project. Without limitation to the generality of the foregoing, the Central Implementation Unit shall include staff, each with terms of reference, qualifications, and experience satisfactory to the Association, performing the following key functions in support of the Project: (i) Project management; (ii) procurement; (iii) environmental and social standards; (iv) outreach and communications; (v) monitoring and evaluation; and (vi) financial management.

4. Project Implementation Unit

To ensure the efficient implementation of the Project, the Recipient shall:

- (a) at all times during the implementation of the Project, maintain a Project Implementation Unit (“PIU”) within the DoR&D, with mandate, composition and resources acceptable to the Association, to be responsible for, *inter alia*, overall implementation of the Project, including procurement, monitoring and evaluation, and environmental and social management;
- (b) ensure that the PIU is staffed with necessary personnel at all times throughout the implementation of the Project, and headed by a Project manager with qualifications, experience and terms of reference satisfactory to the Association; and
- (c) without limitation to the generality of the foregoing, recruit by no later than three (3) months after the Effective Date: (i) a local Project assistant; (ii) an electrical engineer; and (iii) a procurement officer; and by no later than six (6) months after the Effective Date, recruit an environmental and social development officer; each with qualifications, experience and terms of reference satisfactory to the Association.

B. Project Implementation Manual

- 1. The Recipient shall maintain at all times throughout Project implementation, a Project Implementation Manual (PIM) in form and substance satisfactory to the Association, containing detailed arrangements and procedures for implementation of the Project including *inter alia*: (a) institutional arrangements for the day-to-day execution of the Project; (b) disbursement and flow of funds arrangements; (c) fiduciary arrangements including financial management, procurement, and anti-corruption; (d) environment and social management systems; (e) monitoring and evaluation, reporting and communication; (f) a comprehensive administrative, accounting and financial manual of procedures; and (g) such other administrative, financial, technical and organizational arrangements, procedures and necessary terms of reference as shall be required for the Project.
- 2. The Recipient shall carry out the Project in accordance with the PIM, and except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate, or waive the PIM, or any provision thereof.
- 3. In the event of any conflict between the provisions of the PIM and those of this Agreement, the provisions of this Agreement shall prevail.

C. Project Implementation Agreements

1. The Recipient shall, prior to the carrying out of any Project activities in a Recipient's State, enter into and thereafter maintain throughout the Project implementation period, a Project Implementation Agreement with each State Government and State Power Utility of such State on terms and conditions satisfactory to the Association, which shall include, *inter alia*, the State Government's obligation to facilitate the implementation of the Project activities within its territory in accordance with the provisions of this Agreement, the Project Implementation Manual and the Environmental and Social Commitment Plan ("ESCP").
2. Each State Government and State Power Utility shall designate and thereafter maintain throughout the Project implementation period, focal point responsible for, *inter alia*, coordination of the Project related activities within the respective Recipient's State.
3. The Recipient shall carry out and exercise its respective rights under the Project Implementation Agreements in such manner as to protect the interests of the Recipient and the Association and to accomplish the purposes of the Financing. Except as the Association shall otherwise agree, the Recipient shall not assign, amend, abrogate or waive any of the Project Implementation Agreements or any of their provisions.
4. In case of a conflict between the provisions of a Project Implementation Agreement and this Agreement, those of this Agreement shall prevail.

D. Annual Work Plan and Budget

1. The Recipient shall prepare and furnish to the Association for its review and no-objection, by no later than three (3) months after the Effective Date for the first year of Project implementation, and August 1 of each subsequent year during Project implementation, an annual work plan and budget which shall, *inter alia*:
(a) list all activities (including Operating Costs and Training) 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 and any other resources provided by the Recipient); and (c) describe the environmental and social risks management measures taken or planned to be taken in accordance with the provisions of Section I.F of this Schedule 2 ("Annual Work Plan and Budget").
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 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 Plan and Budget without the prior written approval of the Association.

E. Environmental and Social Standards

1. The Recipient shall ensure that the Project is carried out in accordance with the Environmental and Social Standards, in a manner acceptable to the Association.
2. Without limitation upon paragraph 1 above, the Recipient shall ensure that the Project is implemented in accordance with the Environmental and Social Commitment Plan ("ESCP"), in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (a) the measures and actions specified in the ESCP are implemented with due diligence and efficiency, as provided in the ESCP;
 - (b) sufficient funds are available to cover the costs of implementing the ESCP;
 - (c) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the ESCP, as provided in the ESCP; and
 - (d) the ESCP, or any provision thereof, is not amended, repealed, suspended or waived, except as the Association shall otherwise agree in writing, as specified in the ESCP, and ensure that the revised ESCP is disclosed promptly thereafter.
3. In case of any inconsistencies between the ESCP and the provisions of this Agreement, the provisions of this Agreement shall prevail.
4. The Recipient shall ensure that:
 - (a) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency specified in the ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (i) the status of implementation of the ESCP; (ii) conditions, if any, which interfere or threaten to interfere with the implementation of the ESCP; and (iii) corrective and preventive measures taken or required to be taken to address such conditions; and

- (b) the Association is promptly notified 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, in accordance with the ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- 5. The Recipient shall establish, publicize, maintain and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of Project-affected people, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- 6. The Recipient shall ensure that all bidding documents and contracts for civil works under the Project include the obligation of contractors, subcontractors and supervising entities to: (a) comply with the relevant aspects of ESCP and the environmental and social instruments referred to therein; and (b) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.

Section II. Project Monitoring, Reporting and Evaluation

Project Report

- 1. The Recipient shall furnish to the Association each Project Report not later than one (1) month 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 the 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 ESS measures; (e) implementation arrangements and Project staffing; and (f) the need to make any adjustments to the Project to improve performance. To this end, the Recipient shall, and shall cause the Project Implementing Entity to:

- (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, 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 during the period following such date; 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, the Recipient may withdraw the proceeds of the Financing to: (a) to finance Eligible Expenditures for the Project or the CERP in accordance with the respective Disbursement and Financial Information Letter; (b) to repay the Preparation Advance; and (c) for the Complementary Financing for the CAT DDO in accordance with the provisions of Section II.A of the relevant Schedule on "Program Actions, Availability of Financing Proceeds" (or such equivalent heading) to the Cat DDO Legal Agreement (including the relevant provisions of any other document that is referred to or forms part of the Cat DDO Legal Agreement), which are hereby incorporated by reference in this Agreement, and which shall apply, *mutatis mutandis*, to the amount of the Financing allocated to the aforementioned Category; all in the amount allocated and, if applicable, up to the percentage set forth against each Category of the following table:

Category	Amount of the Financing Allocated (expressed in SDR)	Percentage of Expenditures to be Financed (inclusive of Taxes)
(1) Goods, works, non-consulting services, consulting services, Training and Operating Costs for the Project	31,500,000	100%
(2) Eligible Expenditures for the CERP	0	100%
(3) Complementary Financing for the Cat DDO	0	(Not applicable)
(4) Refund of Preparation Advance	800,000	Amount payable pursuant to Section 2.07 (a) of the General Conditions
TOTAL AMOUNT	32,300,000	

B. Withdrawal Conditions; Withdrawal Period

1. Notwithstanding the provisions of Part A of this Section, no withdrawal shall be made:
 - (a) for payments made prior to the Signature Date;
 - (b) for Eligible Expenditures under Category (2), until and unless the Association has notified the Recipient that the conditions set forth in Section 5.15 (a) of the General Conditions have been fulfilled; or
 - (c) for Complementary Financing for the Cat DDO under Category (3), until and unless:
 - (i) the Recipient has furnished to the Association a request to reallocate and thereafter withdraw all or part of the Unwithdrawn Credit Balance for the Complementary Financing for the Cat DDO, and such notice specifies the Cat DDO Legal Agreement; and
 - (ii) the Association has accepted said request and notified the Recipient thereof, and is satisfied, based on evidence satisfactory to it, that the conditions precedent to withdrawal of the financing

provided under the Cat DDO Legal Agreement have been fulfilled.

2. In the event of withdrawal of the Complementary Financing for the Cat DDO, the Recipient shall comply with any provisions on “Deposits of Financing Proceeds/Amounts” and “Audits” (or such equivalent heading) set forth in Section II of the relevant Schedule on “Program Actions, Availability of Financing Proceeds” (or such equivalent heading) to the Cat DDO Legal Agreement (including the relevant provisions of any other document that is referred to or forms part of the Cat DDO Legal Agreement) to the same extent as if such provisions have been set out in full in this Agreement, except that: (a) the terms “Credit”, “Grant” or “Financing” (or such equivalent terms) shall be deemed to refer to the amount of the Complementary Financing for the Cat DDO; and (b) the terms “Credit Account”, “Grant Account” or “Financing Account” (or such equivalent terms) shall be deemed to refer to the Financing Account for this Financing.
3. The Closing Date is February 27, 2031.

APPENDIX

Section I. Definitions

1. “Annual Work Plan and Budget” means each annual work plan, together with the related budget and updated procurement plan, for the Project accepted by the Association pursuant to the provisions of Section I.D of the Schedule 2 to this Agreement as the said plan and budget may be modified from time to time with the prior written no-objection of the Association.
2. “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.
3. “Cat DDO” means the financing provided under the Cat DDO Legal Agreement with a deferred drawdown option for catastrophe risks.
4. “Cat DDO Legal Agreement” means the agreement between the Recipient and the Association or the Bank, as the case may be, for the Cat DDO, whose closing date is after the date when the Recipient requests the withdrawal of the Complementary Financing for the Cat DDO, as further specified by the Recipient in such request for withdrawal.
5. “Category” means a category set forth in the table in Section III.A of Schedule 2 to this Agreement.
6. “Central Implementation Unit” or “CIU” means the Recipient’s central implementation unit established within the Department of Finance and Administration and referred to in Section I.A.3 of Schedule 2 to this Agreement, or any successor thereto.
7. “Complementary Financing for the Cat DDO” means the amount of the Financing allocated to the Category entitled “Complementary Financing for the Cat DDO” in the table set forth in the table in Section III.A of Schedule 2 to this Agreement.
8. “Department of Resources and Development” or “DoR&D” means the Recipient’s department responsible for resources and development, or any successor thereto.
9. “Environmental and Social Commitment Plan” or “ESCP” means the environmental and social commitment plan for the Project, dated February 28, 2025, as the same may be amended from time to time in accordance with the provisions thereof, which sets out the material measures and actions that the Recipient shall carry out or cause to be carried out to address the potential environmental and social risks and impacts of the Project, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and

reporting arrangements, and any environmental and social instruments to be prepared thereunder.

10. “Environmental and Social Standards” or “ESSs” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; and (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.
11. “General Conditions” means the “International Development Association General Conditions for IDA Financing, Investment Project Financing”, dated December 14, 2018, (Last revised on July 15, 2023), with the modifications set forth in Section II of this Appendix.
12. “MPA Program” means the multiphase programmatic approach program designed to accelerate renewable energy scale-up and grid integration in participating countries across the East Asia Pacific region.
13. “Operating Costs” means the reasonable incremental expenses incurred by the Recipient on account of the implementation of the Project, based on the Annual Work Plans and Budgets accepted ex-ante by the Association, including rental of office space, office supplies, bank charges, communications, advertising expenses, utilities, stationery, vehicle operation, maintenance, insurance and transportation costs, but excluding salaries, fees, honoraria, bonuses, sitting fees and any other salary supplements of the Recipient’s civil servants.
14. “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 September 13, 2021, and on behalf of the Recipient on September 20, 2021.

15. “Procurement Regulations” means, for purposes of paragraph 85 of the Appendix to the General Conditions, the “World Bank Procurement Regulations for IPF Borrowers”, dated September 2023.
16. “Project Implementation Agreements” means, collectively, all the agreements to be executed between the Recipient and each of its State Government and State Power Utilities pursuant to Section I.C of Schedule 2 to this Agreement; and “Project Implementation Agreement” means any one of these agreements.
17. “Project Implementation Manual” means the manual referred to in Section I.B. of Schedule 2 to this Agreement.
18. “Project Implementation Unit” means the unit referred to in Section I.A.4(a) of Schedule 2 to this Agreement.
19. “Project Steering Committee” means the committee referred to in Section I.A.2(a) of Schedule 2 to this Agreement.
20. “Rapid Response Option” or “RRO” means the use of all or any portion of the Financing that has been requested by the Recipient and accepted by the Association in accordance with the terms of this Agreement to: (a) assist in financing the CERP; and (b) provide complementary financing in support of the program defined in the Cat DDO Legal Agreement.
21. “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.
22. “States” means, collectively, the states of the Recipient, namely, Kosrae State, Pohnpei State, Chuuk State and Yap State; and “State” means any one of these States.
23. “State Governments” means, collectively, the governments of each State, namely Kosrae State Government, Pohnpei State Government, Chuuk State Government, and Yap State Government.
24. “State Power Utility” means any of the Chuuk Public Utility Corporation, Kosrae Utilities Authority, Pohnpei Utilities Corporation, or Yap State Public Service Corporation, and “State Power Utilities” means, collectively, all State Power Utilities.
25. “State Power Utilities Legislation” means collectively, the Chuuk Public Utility Act of 1996, Chapter 1 of Title 34 of the Pohnpei Code, Chapter 12 Title 7 of the Kosrae State Code and Yap State Law No. 4-4.

26. “Training” means the reasonable costs of training and workshop activities under the Project, based on the Annual Work Plans and Budgets accepted ex-ante by the Association, including preparation and reproduction of training materials, rental of facilities, course fees, workshop supplies, rental of equipment, reasonable transportation costs, per diem of trainers and trainees and/or participants (if applicable), excluding consultant’s fees under consulting services.

Section II. Modifications to the General Conditions

The General Conditions are hereby modified as follows:

1. Section 1.01 (*Application of General Conditions*) is modified by adding a new paragraph as follows:

“If the Financing Agreement provides for the use of the Financing to assist in financing the CERP, references in these General Conditions to the Project and the Respective Parts of the Project (other than those in sub-Sections 5.08(b)(i) and 5.08.(c)(i), and the definitions of terms “Anti-Corruption Guidelines”, “Procurement Regulations”, “Project”, and “Respective Part of the Project”) shall be deemed to also refer to the CERP and the Respective Parts of the CERP, respectively. Conversely, if the Financing Agreement does not provide for the use of the Financing to assist in financing the CERP, references to the CERP and the Respective Parts of the CERP in these General Conditions, and all clauses applicable exclusively to them, shall be disregarded.”

2. Paragraphs (b) and (c) of Section 5.08 (*Project Monitoring and Evaluation*) are modified to read as follows:

“(b) The Recipient shall:

- (i) in respect to the Project, prepare or cause to be prepared periodic reports (“Project Report”), in form and substance satisfactory to the Association, integrating the results of such Project monitoring and evaluation activities and setting out measures recommended to ensure the continued efficient and effective execution of the Project, and to achieve its objectives;
- (ii) in respect to the CERP, prepare or cause to be prepared periodic reports (“CERP Report”) and in form and substance satisfactory to the Association, integrating the results of the monitoring and evaluation activities of the CERP and setting out measures recommended to ensure the continued efficient and effective execution of the CERP, and to achieve its objectives; and such CERP Reports shall be prepared: (A) on an annual basis in the absence of an Eligible Crisis and Emergency; and (B) at least

semi-annually, as further determined in the CERP Manual, throughout the implementation period of a Crisis Response Plan during an Eligible Crisis and Emergency; and

- (iii) the Recipient shall furnish or cause to be furnished each Project Report or CERP Report to the Association promptly upon its preparation, afford the Association a reasonable opportunity to exchange views with the Recipient and the Project Implementing Entity on any such report, and thereafter implement such recommended measures, taking into account the Association's views on the matter.
 - (c) Except as the Association may reasonably determine otherwise, the Recipient shall prepare, or cause to be prepared, and furnish to the Association:
 - (i) in respect to the Project, not later than six (6) months after the Closing Date: (A) a report of such scope and in such detail as the Association shall reasonably request, on the execution of the Project, the performance by the Recipient and the Association of their respective obligations under the Legal Agreements and the accomplishment of the purposes of the Financing; and (B) a plan designed to ensure the sustainability of the Project's achievements; and
 - (ii) in respect to the CERP, not later than six (6) months after the end of the implementation period of the CERP: (A) a report of such scope and in such detail as the Association shall reasonably request, on the execution of the CERP, the performance by the Recipient and the Association of their respective obligations, and the accomplishment of the purposes of the Financing; and (B) a plan designed to ensure the sustainability of the CERP's achievements."
3. A new Section 5.15 (*Contingent Emergency Response Project*) is added to read as follows:
- "Section 5.15. *Contingent Emergency Response Project*
- (a) If the Financing Agreement provides for the use of the Financing to assist in financing the CERP, the Association may reallocate all or part of the Unwithdrawn Financing Balance for the financing of a specific Crisis Response Plan if the Association has notified the Recipient that the following conditions have been fulfilled:

- (i) (A) the Recipient has determined that an Eligible Crisis or Emergency has occurred, and has furnished to the Association a request to reallocate and thereafter withdraw all or part of the Unwithdrawn Financing Balance for the financing of a specific Crisis Response Plan under the CERP under implementation at the time of the request; and (B) the Association has agreed with such determination and accepted said request; and
 - (ii) the Recipient has adopted the CERP Manual (with the CERP ESCP attached as an annex) and the Crisis Response Plan, both in form and substance acceptable to the Association.
- (b) The Recipient shall carry out, or cause to be carried out, the CERP pursuant to the Crisis Response Plan(s), the CERP Manual, the Environmental and Social Standards, the CERP ESCP, and the environmental and social instruments prepared thereunder, all in a manner acceptable to the Association. To this end, the Recipient shall ensure that:
 - (i) the structures and arrangements referred to in the CERP Manual are maintained throughout the implementation of the CERP and each of the Crisis Response Plans, in a manner and substance acceptable to Association;
 - (ii) the environmental and social instruments required for the CERP and the respective Crisis Response Plan are prepared, disclosed and adopted in accordance with the CERP Manual and the CERP ESCP, and in form and substance acceptable to the Association;
 - (iii) the measures and actions specified in the CERP ESCP are implemented with due diligence and efficiency, as provided in the CERP ESCP;
 - (iv) sufficient funds are made available to cover the costs of implementing the CERP ESCP;
 - (v) policies and procedures are maintained, and qualified and experienced staff in adequate numbers are retained to implement the CERP ESCP, as provided in the said CERP ESCP;
 - (vi) subject to the prior written agreement of the Association, any revised CERP ESCP or environmental and social documents prepared thereunder is disclosed promptly after their approval;
 - (vii) all measures necessary are taken to collect, compile, and furnish to the Association through regular reports, with the frequency

specified in the CERP ESCP, and promptly in a separate report or reports, if so requested by the Association, information on the status of compliance with the CERP ESCP and the environmental and social instruments referred to therein, all such reports in form and substance acceptable to the Association, setting out, inter alia: (A) the status of implementation of the CERP ESCP; (B) conditions, if any, which interfere or threaten to interfere with the implementation of the CERP ESCP; and (C) corrective and preventive measures taken or required to be taken to address such conditions; and

- (viii) the Association is promptly notified of any incident or accident related to or having an impact on the CERP which has, or is likely to have, a significant adverse effect on the environment, the affected communities, the public or workers, in accordance with the CERP ESCP, the environmental and social instruments referenced therein and the Environmental and Social Standards.
- (d) The Recipient shall ensure that neither the Crisis Response Plan(s) nor the CERP Manual nor the CERP ESCP is amended, suspended, abrogated, repealed or waived without the prior written agreement by the Association. Nevertheless, in the event of any inconsistency between the provisions of the CERP Manual, the Crisis Response Plan(s), or the CERP ESCP, on the one side, and any provision of these General Conditions or the Legal Agreements, on the other, the provisions of the Legal Agreements and these General Conditions shall prevail.
- (e) The Recipient shall, or shall cause to, establish, publicize, maintain, and operate an accessible grievance mechanism, to receive and facilitate resolution of concerns and grievances of people affected by the CERP, and take all measures necessary and appropriate to resolve, or facilitate the resolution of, such concerns and grievances, in a manner acceptable to the Association.
- (f) The Recipient shall ensure that that all bidding documents and contracts for civil works under the CERP include the obligation of contractors, subcontractors and supervising entities to: (i) comply with the relevant aspects of the applicable CERP ESCP and the environmental and social instruments referred to therein; and (ii) adopt and enforce codes of conduct that should be provided to and signed by all workers, detailing measures to address environmental, social, health and safety risks, and the risks of sexual exploitation and abuse, sexual harassment and violence against children, all as applicable to such civil works commissioned or carried out pursuant to said contracts.”

4. The following definitions are inserted in the Appendix in alphabetical order, and the remaining definitions and paragraphs (as the case may be) renumbered accordingly:

“[#]. “CERP ESCP” means the environmental and social commitment plan for the CERP to be prepared and adopted by the Recipient, as the same may be amended from time to time in accordance with the provisions thereof, setting forth the material measures and actions that the Recipient shall carry out to address the potential environmental and social risks and impacts of the activities detailed in the Crisis Response Plan, including the timeframes of the actions and measures, institutional, staffing, training, monitoring and reporting arrangements, and any environmental and social instruments to be prepared thereunder.”

“[#]. “CERP Manual” means the implementation manual to be prepared and adopted by the Recipient setting forth the detailed implementation arrangements for the CERP, including: (a) any structures or institutional arrangements, allocation of responsibilities and decision making powers for coordinating and implementing the activities thereunder; (b) the specific activities to be implemented under the CERP in response to the declared/determined Eligible Crisis and Emergency pursuant to the Crisis Response Plan; (c) the template for the Crisis Response Plan; (d) the positive list of Eligible Expenditures for the CERP; (e) the financial management and withdrawal arrangements for the implementation of the CERP; (f) the procurement methods and procedures to be followed in the implementation of the CERP; (g) a description of the environmental and social assessment and management arrangements applicable to the CERP; and (h) template of the CERP Reports as well as the monitoring and evaluation arrangements for the activities thereunder.”

“[#]. “CERP Report” means each report on the CERP to be prepared and furnished to the Association pursuant to Section 5.08 (b)(ii) of these General Conditions.”

“[#]. “Contingent Emergency Response Project” and the term “CERP” mean the contingent emergency response project prepared from time to time by the Recipient and agreed with the Association aimed at responding promptly and effectively to an Eligible Crisis or Emergency, as further elaborated in the Crisis Response Plan(s), as amended from time to time by agreement between the Recipient and the Association.”

“[#]. “Crisis Response Plan” means the plan to be prepared and adopted by the Recipient in response to an Eligible Crisis or Emergency detailing, among others: (a) the activities to be implemented under the CERP in response to the Eligible Crisis or Emergency; (b) the estimated budget therefor and corresponding appropriations and/or financing sources; (c) the implementation timeline which, unless the Association otherwise agrees, shall not exceed twelve (12) months; (d)

the foreseeable procurement and an abridged CERP Procurement Plan therefor; and (e) the envisioned results framework and indicators.”

“[#]. “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.”

“[#]. “Environmental and Social Standards” means, collectively: (i) “Environmental and Social Standard 1: Assessment and Management of Environmental and Social Risks and Impacts”; (ii) “Environmental and Social Standard 2: Labor and Working Conditions”; (iii) “Environmental and Social Standard 3: Resource Efficiency and Pollution Prevention and Management”; (iv) “Environmental and Social Standard 4: Community Health and Safety”; (v) “Environmental and Social Standard 5: Land Acquisition, Restrictions on Land Use and Involuntary Resettlement”; (vi) “Environmental and Social Standard 6: Biodiversity Conservation and Sustainable Management of Living Natural Resources”; (vii) “Environmental and Social Standard 7: Indigenous Peoples/Sub-Saharan African Historically Underserved Traditional Local Communities”; (viii) “Environmental and Social Standard 8: Cultural Heritage”; (ix) “Environmental and Social Standard 9: Financial Intermediaries”; (x) “Environmental and Social Standard 10: Stakeholder Engagement and Information Disclosure”; effective on October 1, 2018, as published by the Association.”

5. In paragraphs originally numbered 5, 81, 85, and 90 of the Appendix, the terms “Anti-Corruption Guidelines”, “Payment Date”, “Procurement Regulations”, and “Project Report” respectively are modified to read as follows:

“5. “Anti-Corruption Guidelines” means: (a) for the Project: the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants”, as further defined in the Financing Agreement; and (b) for the CERP: the latest iteration of the “Guidelines on Preventing and Combating Fraud and Corruption in Projects Financed by IBRD Loans and IDA Credits and Grants” that had been issued by the Association as the day of the Association’s endorsement of the CERP for financing.”

“81. “Payment Date” means each date specified in the Financing Agreement occurring on or after the date of the Financing Agreement on which Service Charges, Interest Charges, Commitment Charges, and other Credit charges and fees (other than the Front-end Fee) are payable, as applicable.”

“85. “Procurement Regulations” means: (a) for the Project: the “World Bank Procurement Regulations for Borrowers under Investment Project Financing”, as further defined in the Financing Agreement; and (b) for the CERP: the latest iteration of the “World Bank Procurement Regulations for Borrowers under

Investment Project Financing” that had been issued by the Association as the day of the Association’s endorsement of the CERP for financing.”

“90. “Project Report” means each report on the Project to be prepared and furnished to the Association pursuant to Section 5.08 (b)(i) of these General Conditions.”