

SUBSIDY IMPLEMENTATION AGREEMENT

BETWEEN

REPUBLIC OF VANUATU

AND

IN RELATION TO

VANUATU RURAL ELECTRIFICATION PROJECT

_____ , _____

**Agreement, dated _____, _____, between the Republic of Vanuatu
("Recipient") and _____ ("the Vendor").**

WHEREAS, (A) the Recipient has entered into the:

1. Pacific Region Infrastructure Facility ("PRIF") Grant Agreement with the International Bank for Reconstruction and Development and the International Development Association (collectively, "World Bank") acting as administrator of PRIF dated December 4, 2014 ("First PRIF Grant Agreement"), pursuant to which the World Bank provided a grant (PRIF Grant No. TF018003) in an amount not to exceed four million seven hundred thousand United States Dollars (\$4,700,000) ("First PRIF Grant") to assist in financing the Vanuatu Rural Electrification Project ("VREP I");
2. Financing Agreement with the International Development Association ("Association") dated July 23, 2017 ("Financing Agreement"), pursuant to which the Association provided a grant (Grant No. D1930-VU) in an amount not to exceed the equivalent of one million five hundred thousand Special Drawing Rights (SDR 1,500,000) ("IDA Grant") and a credit (Credit No. 6072-VU) in the amount equivalent to one million five hundred thousand Special Drawing Rights (SDR 1,500,000) ("IDA Credit") to assist in financing the Vanuatu Rural Electrification Project II ("VREP II");
3. Scaling Up Renewable Energy Program in Low-Income Countries (SREP) Grant Agreement with the Association acting as an implementing entity of the Scaling-up Renewable Energy Program under the Strategic Climate Fund dated July 23, 2017 ("SREP Grant Agreement") pursuant to which the Association provided a grant (SREP Grant No. TFA4979) ("SREP Grant") in the amount not to exceed six million seven hundred seventy thousand United States Dollars (\$6,770,000) to assist in financing VREP II; and
4. Pacific Region Infrastructure Facility (PRIF) Grant Agreement with the Association acting as administrator of the Pacific Region Infrastructure Facility dated July 23, 2017 ("Second PRIF Grant Agreement"), pursuant to which the Association provided a grant (PRIF Grant No. TFA5406) ("Second PRIF Grant") in an amount not to exceed three million four hundred and fifty thousand United States Dollars (\$3,450,000) to assist in financing VREP II.

(B) pursuant to Section I.B. of Schedule 2 to the First PRIF Grant Agreement, Section I.B. of Schedule 2 to the Financing Agreement, Section 2.03 of the SREP Agreement, and Section 2.03 of the Second PRIF Grant Agreement, the Recipient has agreed to disburse part of the First PRIF Grant, part of the IDA Grant, Part of the Second PRIF Grant, and part of the SREP Grant to eligible Vendors for purposes of providing subsidized solar photovoltaic systems.

NOW THEREFORE, the Recipient and the Vendor hereby agree as follows:

ARTICLE I (DEFINITIONS)

1.1. Aid Posts" means village-based and operated nurses' aid centers.

- 1.2 "Beneficiary" means a Household, Public Institution or business located in dispersed off-grid areas eligible to receive a Subsidy for a Product in the Product Catalogue purchased from a registered Vendor for use in the Household, Public Institution or business.
- 1.3 "Community Hall" means a non-for-profit- meeting place for community meetings, events, worship or other community related activities.
- 1.4 "Environmental Code of Practice" means the Recipient's Environmental Code of Practice (Used Battery Disposal) for VREP I and VREP II, as set forth in the Project Operations Manual.
- 1.5 "Household" means all the people who occupy a housing unit and includes also business activities being undertaken by the households. A house, an apartment or other group of rooms, or a single room, is regarded as a housing unit
- 1.6 "Independent Verification Agent" and "IVA" means the agent appointed by the Department of Energy as provided for in Section I.D of Schedule 2 of the First PRIF Grant Agreement and Section I.B of Schedule 2 of the Finance Agreement.
- 1.7 "Output Verification Report" means a report prepared by the Independent Verification Agent, certifying that a Vendor has made a sale of a Product in accordance with the Project Operations Manual and the Subsidy Implementation Manual.
- 1.8 "Product" means a plug and play solar home system (SHS) or larger SHS or SHS/Micro grids as listed in the Product Catalogue and defined in the SIM, and is eligible for a Subsidy under VREP I or VREP II.
- 1.9 "Product Catalogue" means the catalogue of all eligible Products supplied by approved Vendors across all regions and island groups in order to present, transparently, to consumers the range of products available in their area and in the main centers and as amended from time to time.
- 1.10 "Project Closing Date":
- 1.10.1 for VREP I means the Date of the Project provided for in Section IV.B.2 of Schedule 2 of the First PRIF Grant Agreement as December 31, 2019, or such other date as the World Bank shall establish pursuant to the First PRIF Grant Agreement; and
- 1.10.2 for VREP II means the Date of the Project provided for in Section IV.B.2 of Schedule 2 of the Finance Agreement as June 30, 2022, or such other date as the World Bank shall establish pursuant to the Finance Agreement.
- 1.11 "Public Institution" means any government institution, such as a school, health facilities, and other community institutions such as churches, community centres and Community Halls.

- 1.12 “Subsidy” means the amount payable under a Subsidy Implementation Agreement to the Vendor for each Product provided by the Vendor to eligible Beneficiaries, calculated in accordance with the subsidy mechanism set forth in the Project Operations Manual and/or the Subsidy Implementation Manual, and verified by the Independent Verification Agent; and “Subsidies” means more than one such Subsidy.
- 1.13 “Subsidy Implementation Manual” and “SIM” mean the Recipient’s Subsidy Implementation Manual dated January 2018, for VREP I and VREP II, as prepared by the Department of Energy.
- 1.14 “Vendor” means a seller of a Product within the Recipient’s territory that is authorized to sell such systems under the Project and has entered into a Subsidy Implementation Agreement with the Recipient.
- 1.15 Unless the context requires otherwise, other capitalized terms used in this Agreement have the meanings ascribed to them in the First PRIF Grant Agreement and Finance Agreement.

ARTICLE II (PROJECT EXECUTION GENERALLY)

- 2.1 The Vendor agrees to carry out its obligations under this Agreement in accordance with due diligence and efficiency and in accordance with sound technical, economic, financial, managerial, environmental and social standards and practices.
- 2.2 The Vendor agrees to carry out its obligations under this Agreement in accordance with the Subsidy Implementation Manual, the Project Operations Manual and the Environmental Code of Practice.
- 2.3 The Recipient and the Vendor agree that, in the case of conflict between the provisions of this Agreement and the First PRIF Grant Agreement and Financing Agreement, the provisions of the First PRIF Grant Agreement and Financing Agreement shall apply.

ARTICLE III (OBLIGATIONS OF THE RECIPIENT)

- 3.1 The Recipient’s Department of Energy shall be responsible for Project implementation, management, and monitoring and evaluation, including administrative management under the Project.
- 3.2 The Recipient shall disburse Subsidies for Products, in amounts set out in the Subsidy Implementation Manual, upon request by the Vendor and subsequent verification by the Independent Verification Agent, and in accordance with the provisions of this Agreement, the Subsidy Implementation Manual and Project Operations Manual.
- 3.3 The Recipient shall make such payments in to the Vendor upon receipt of each approved Output Verification Report from the Independent Verification Agent, in the amounts and in accordance with the processes and requirements detailed in the Subsidy Implementation Manual.

ARTICLE IV (OBLIGATIONS OF THE VENDOR)

- 4.1 The Vendor agrees to comply with and to continue to comply with the Vendor Registration Criteria, Product Registration Criteria and the required product/component standards as set out in the Subsidy Implementation Manual.
- 4.2 Where the Vendor is to provide Products eligible for Subsidies under VREP II, the Vendor agrees to only provide Products designed by a person with the design qualifications as specified in the SIM.
- 4.3 Where the Vendor is to provide Products eligible for Subsidies under VREP II, the Vendor agrees to either:
 - 4.3.1. provide the VREP II system as a pre-tested system as specified in the SIM; or
 - 4.3.2. install the D.C VREP II system using at least one solar technician with the installation qualifications as specified in the SIM.
- 4.4 Where the Vendor is to provide Products eligible for Subsidies under VREP II, the Vendor agrees to install the A.C output wiring of Products using an electrical technician with the qualifications as specified in the SIM.
- 4.5 The Vendor agrees to implement the Complaints Handling System as set out in the Subsidy Implementation Manual.
- 4.6 The Vendor agrees to carry out its obligations under this Agreement in accordance with the Vendor Code of Conduct.
- 4.7 The Vendor agrees to carry out its obligations under this Agreement in accordance with the Environmental Code of Conduct.
- 4.8 The Vendor agrees to provide the minimum product warranty on Products in the Product Catalogue in accordance with the minimum product warranty criteria as set out in the Subsidy Implementation Manual.
- 4.9 The Vendor agrees to continue to honor the product warranty relating to all items sold within this subsidy program even if the vendor is de-registered for any reason.
- 4.10 The Vendor agrees to provide to the Recipient the maximum selling price of each Product stocked by the Vendor and included in the Product Catalogue.
- 4.11 The Vendor agrees to only claim a Subsidy or Subsidies for those Products set out in the Product Catalogue and sold to a Beneficiary.
- 4.12 The Vendor shall ensure that any issues raised in the Output Verification Report are addressed in accordance with the verification process set out in the Subsidy Implementation Manual.

4.13 The Vendor shall designate a representative to act as its point of contact on matters pertaining to the Project.

ARTICLE V (SUBSIDY ELIGIBILITY CRITERIA)

5.1 To be eligible to receive a Subsidy for a Product from the Product Catalogue, a Beneficiary must meet the criteria for Beneficiary eligibility as set out in the Subsidy Implementation Manual.

ARTICLE VI (SUBSIDY AMOUNTS)

6.1 Details of Subsidy for eligible Products in the Product Catalogue is defined and set out in the Subsidy Implementation Manual.

6.2 The Subsidy will be paid in accordance with the process as set out in the Subsidy Implementation Manual.

ARTICLE VII (BENEFICIARY CONTRIBUTIONS)

7.1 The Vendor shall require each Beneficiary to pay the subsidized cost toward the total retail cost of the Products sold by the Vendor that are listed in the Product Catalogue.

ARTICLE VIII (INSPECTION AND INFORMATION)

8.1 The Recipient and the Vendor agree that the Independent Verification Agent shall have the authority:

- (a) to inspect the activities and operations of the Vendor as it relates to the eligible Products set out in the Product Catalogue for which a Subsidy is payable; and
- (b) to require such information from the Vendor as may be necessary to ensure that the provisions of this Agreement are met.

8.2 The Vendor shall provide the necessary information to enable the Independent Verification Agent to prepare the Output Verification Report

8.3 No Subsidies shall be paid by the Recipient to the Vendor except on receipt of a subsidy claim in the format described in the Subsidy Implementation Manual and following output verification and on receipt of an Output Verification Report confirming that all requirements of the Subsidy Implementation Manual have been met.

ARTICLE IX (REPORTING REQUIREMENTS)

9.1 The Vendor shall provide the Recipient with quarterly sales forecasts to facilitate verification by the Independent Verification Agent and to monitor expected subsidy disbursements.

9.2 The Recipient shall provide the Vendor with a quarterly report informing them of the balance of monies available for subsidies.

ARTICLE X (TERMINATION)

10.1 The Recipient shall have the right to suspend or terminate the right of the Vendor to receive Subsidy payments upon failure by the Vendor to perform its obligations under this Subsidy Implementation Agreement.

10.2 This Agreement shall terminate on the earlier of the following events: (a) the Project Closing Date; or (b) the total amount allocated to Subsidies in the withdrawal table in the First PRIF Grant Agreement, the SREP Grant Agreement, the Second PRIF Grant Agreement and the Financing Agreement has been fully disbursed; or (c) upon the termination or cancellation of: (i) the First PRIF Grant in accordance with the terms of the First PRIF Grant Agreement; (ii) the SREP Grant in accordance with the terms of the SREP Grant Agreement; (iii) the Second PRIF Grant in accordance with the terms of the Second PRIF Grant Agreement; and (iv) the IDA Grant in accordance with the Financing Agreement.

10.3 The Recipient shall inform the Vendor in writing when: (a) the disbursement of Subsidies for Products eligible for Subsidies under VREP I in aggregate is within 10% of the funds allocated for Subsidies in the withdrawal table of the First PRIF Grant Agreement; or (b) the disbursement of Subsidies for Products eligible for Subsidies under VREP II in aggregate is within 10% of the total sum of funds allocated for Subsidies in the withdrawal tables the SREP Grant Agreement, the Second PRIF Grant Agreement and the Financing Agreement.

ARTICLE XI (JURISDICTION)

11.1 This Agreement including its schedules shall be governed by the laws as applicable in the Republic of Vanuatu.

11.2 If any dispute arises from the implementation of this Agreement, the Parties shall use their best endeavors to settle this dispute out of court within a reasonable time.

AGREED at _____, _____, as of the day and year first above written.

REPUBLIC OF VANUATU

By _____
Authorized Representative

Name: _____

Title: _____

[NAME OF VENDOR]

By _____
Authorized Representative

Name: _____

Title: _____