

DISBURSEMENT AGREEMENT

BY AND AMONG

MILLENNIUM CHALLENGE CORPORATION

**THE MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT,
ON BEHALF OF THE GOVERNMENT OF THE REPUBLIC OF VANUATU**

AND

MCA-VANUATU

Dated as of April 28, 2006

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DISBURSEMENT AGREEMENT

This DISBURSEMENT AGREEMENT (the “*Agreement*”), dated as of April 28, 2006, is made by and among the Millennium Challenge Corporation, a United States Government corporation (“*MCC*”); the Ministry of Finance and Economic Management (the “*Ministry*”), on behalf of the Government of the Republic of Vanuatu (the “*Government*”); and MCA-Vanuatu, an independent unit established within the Ministry under the laws of the Republic of Vanuatu in accordance with Council of Ministers Resolution dated February 26, 2006 and the MCA-Vanuatu Charter signed by the Minister of Finance and Economic Management on March 9, 2006 (“*MCA-Vanuatu*”). MCC, the Ministry and MCA-Vanuatu are sometimes referred to herein individually as a “*Party*” and collectively as the “*Parties*.”

Capitalized terms used and defined in this Agreement shall have the meanings given to such terms herein. Schedule 2 to this Agreement lists the capitalized terms that are defined herein and the pages on which their respective definitions appear. Capitalized terms that are used but not defined herein shall have the meaning given such terms in that certain Millennium Challenge Compact by and between the United States of America, acting through MCC, and the Government, signed in Port Vila, Vanuatu on March 2, 2006 (the “*Compact*”).

RECITALS

WHEREAS, the Compact sets forth the general terms and conditions on which the United States, through MCC, will provide MCC Funding to the Government to use to implement the Program in the Republic of Vanuatu (“*Vanuatu*”) and achieve the Compact Goal and Objectives contemplated by the Compact;

WHEREAS, pursuant to Section 3.2 of the Compact and the Governance Agreement dated as of the date hereof, among MCC, the Ministry and MCA-Vanuatu, the Government has designated MCA-Vanuatu to assume and carry out certain governmental rights, responsibilities and duties under the Compact, including the execution, delivery and performance of this Agreement;

WHEREAS, it is a condition precedent to the Entry into Force that this Agreement be executed by the Parties;

WHEREAS, prior to the payment of any MCC Disbursement or Re-Disbursement, the Ministry and MCA-Vanuatu, on behalf of the Government, must satisfy, or cause or ensure the satisfaction of, the terms and conditions specified in this Agreement and certain other Supplemental Agreements; and

WHEREAS, the Parties wish to enter into this Agreement to further specify the terms and conditions on which MCC Disbursements and Re-Disbursements will be made in furtherance of the Compact;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements set forth herein, the Parties hereby agree as follows:

ARTICLE I.
DISBURSEMENTS

Section 1.1 Disbursements.

(a) MCC Disbursements.

(i) MCA-Vanuatu shall submit MCC Disbursement Requests, in the form attached hereto as Exhibit A, to MCC (and shall provide a copy thereof to the Principal Representative of the Ministry) for MCC Disbursements under the Compact. MCA-Vanuatu shall ensure that any MCC Disbursement Request shall be in accordance with the terms and conditions set forth in the Compact, this Agreement, and any other Supplemental Agreement between the Government or any Government Affiliate or Permitted Designee and MCC or between two or more of such parties (collectively, the “**Compact Documents**”). MCC Disbursement Requests may be made on a quarterly basis, or at such other interval as the Parties may otherwise agree from time to time, and shall be submitted to MCC no later than twenty (20) days (or such other period of time as agreed to by the Parties) prior to the commencement of the applicable Disbursement Period (defined below).

(ii) Upon receipt of an MCC Disbursement Request, MCC shall determine the appropriate amount of the MCC Disbursement for application during the subsequent quarter or such other period of time as agreed to by the Parties (the “**Disbursement Period**”), which disbursement, in whole or in part, shall be (1) calculated on the basis of, among other things, the progress under the Implementation Plan and (2) subject to the satisfaction, waiver or deferral of applicable terms of and conditions to such MCC Disbursement in this Agreement and in any other Compact Document. MCC reserves the right, in its sole discretion, to reduce the amount of any MCC Disbursement in accordance with Section 3.7(a) of this Agreement, Sections 2.1(a)(ii) and 2.2 (b) of the Compact or any other applicable provision of any Compact Document to which MCC is a party.

(iii) MCC shall make each MCC Disbursement in U.S. Dollars to the Special Account pursuant to and in accordance with the procedures and requirements set forth in the Bank Agreement (or such other documentation establishing the Permitted Accounts). MCA-Vanuatu shall provide, or shall cause the Bank to provide, in writing to MCC the designated account number and wire transfer instructions for the Permitted Accounts (the “**Permitted Account Information**”) no later than ten (10) business days prior to the initial MCC Disbursement. In the event that any Permitted Account changes during the Compact Term or the Permitted Account Information with respect to such Permitted Account otherwise changes, MCA-Vanuatu shall provide, or shall cause the bank to provide, in writing to MCC any modifications to such Permitted Account Information then on file with MCC as soon as practicable, but in no event later than ten (10) business days prior to the immediately succeeding MCC Disbursement.

(b) Re-Disbursements.

(i) Requests for payment of Re-Disbursements shall be submitted to the Fiscal Agent in the form and substance, and pursuant to the process required by the Fiscal Agent in the Fiscal Agent Agreement and the Fiscal Accountability Plan, and otherwise in accordance with the terms of this Agreement, the Governance Agreement, the Procurement Agreement and any other Compact Document, if applicable.

(ii) MCA-Vanuatu shall ensure that the Fiscal Agent authorizes payment of, and the Bank pays from the applicable Permitted Account directly to the applicable party (including to the Government for reimbursement), any valid Re-Disbursement amount, in accordance with the procedures and requirements set forth in the Fiscal Agent Agreement, the Fiscal Accountability Plan, the Bank Agreement and any other relevant Compact Document.

(iii) Each Re-Disbursement shall be subject to the applicable terms and conditions for such Re-Disbursement set out in Sections 1.2 and 3.6 of this Agreement and in any other relevant Compact Document or other Supplemental Agreement.

Section 1.2 Limitations on Use of MCC Funding.

(a) MCA-Vanuatu shall ensure that the use or treatment of MCC Funding shall comply with the limitations on the use or treatment of MCC Funding set out in the Compact, including Section 2.3 therein.

(b) Unless the Parties otherwise agree in writing, no financial commitment involving MCC Funding shall be made, no obligation of MCC Funding shall be incurred, and no MCC Disbursement or Re-Disbursement shall be made or MCC Disbursement Request submitted, for an activity or expenditure, unless the expense is provided for in the Detailed Financial Plan and unless unencumbered funds exist in the balance of the Detailed Financial Plan for the relevant period.

Section 1.3 Working Capital. At the beginning of the initial Disbursement Period, the Permitted Accounts shall contain funds reserved for working capital for the Program (“**Working Capital**”) in an amount equal to five hundred thousand U.S. Dollars (USD\$500,000) (the “**Working Capital Deposit Amount**”). In the event that the Working Capital in the Permitted Accounts is below the Working Capital Deposit Amount, any subsequent MCC Disbursement Request may include a request for replenishment of the Working Capital equal to the difference between the Working Capital Deposit Amount and the aggregate amount of Working Capital then in the Permitted Accounts.

ARTICLE II.

REPRESENTATIONS

Section 2.1 Ministry Representations. The Ministry hereby provides, on behalf of itself and the Government, the following representations to MCC as of the Effective Date.

(a) Powers. The Ministry has the power and authority to execute, deliver and perform its obligations under this Agreement and each other agreement, certificate, or instrument contemplated hereby.

(b) Authorization; No Conflicts; No Other Approvals. The execution, delivery and performance by the Ministry of this Agreement and the transactions contemplated herein (i) have been duly authorized by all necessary action on the part of the Government and (ii) will not violate (1) any applicable law or regulation or (2) any obligation of the Government, any Government Affiliate, including the Ministry and MCA-Vanuatu. No other action, consent, approval, registration or filing with or any other action by any governmental authority is required in connection with the effectiveness of this Agreement or the execution and performance of this Agreement by the Ministry. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including the Ministry.

(c) Government Assurances. The assurances in paragraphs (a) through (d) of Section 3.4 of the Compact are true, correct and complete in all material respects as if made by the Government herein.

(d) Government Contributions. The Government has contributed such cash or other resources or made such payments as required by Section 2.2, Section 2.3(e), Section 2.5, Section 3.9 and Section 5.8 of the Compact, Section 3(b) of Annex I of the Compact, Annex II of the Compact, or by any other relevant provision of any Compact Document.

Section 2.2 MCA-Vanuatu Representations. On behalf of itself and the Government, MCA-Vanuatu shall provide the following representations to MCC as of the Effective Date and as of the date of each MCC Disbursement (in such case, both immediately before and immediately after giving effect to the MCC Disbursement occurring on such date); *provided* that, with respect to each of the representations MCA-Vanuatu makes on behalf of the Government, MCA-Vanuatu shall confirm such representations with all necessary Government Affiliates prior to MCA-Vanuatu providing such representations to MCC.

(a) Powers; Authorization. MCA-Vanuatu is an independent unit established within the Ministry pursuant to Council of Ministers Resolution dated February 26, 2006, and the MCA-Vanuatu Charter signed by the Minister of Finance and Economic Management on March 9, 2006, duly organized, validly existing and in good standing under the laws of Vanuatu. MCA-Vanuatu has the power and authority to execute, deliver and perform its obligations under this Agreement, the other Compact Documents and Supplemental Agreements to which it is or will be a party, and each other agreement, certificate, or instrument contemplated hereby and thereby. The execution, delivery and performance by MCA-Vanuatu of this Agreement, the Compact and the transactions contemplated herein and therein (i) have been duly authorized by all necessary action on the part of MCA-Vanuatu and the Government and (ii) will not violate (1) any applicable law or regulation or (2) any obligation of the Government, any Government Affiliate, including the Ministry and MCA-Vanuatu, or any other Permitted Designee. No other ratification, license, permit, consent, approval, sanction, disclosure, registration, consultation or filing with or any other authorization or other action by any governmental authority (collectively, the “*Permits*”) is required in connection with the effectiveness of this Agreement or the Compact or the execution and performance by MCA-Vanuatu of this Agreement, the Compact, the Supplemental Agreements or the transactions contemplated herein or therein, except for such

Permits as will be obtained in the ordinary course and as to which MCA-Vanuatu has no reason to believe will not be granted in the ordinary course within a reasonable time after application therefore, without burdensome conditions, and prior to the time the same are required under applicable laws. This Agreement and the Compact are valid and binding agreements and legally enforceable obligations of the Government, including MCA-Vanuatu.

(b) No Liens. To the knowledge of MCA-Vanuatu, there are no liens or encumbrances of any kind on any Program Asset or Permitted Account.

(c) No Material Adverse Change. Since the date of the execution of the Compact, there has been no Material Adverse Change. For the purposes of this Agreement, “**Material Adverse Change**” shall mean: (i) a material breach or default of any assurance, representation, covenant or other obligation of the Government, any Government Affiliate (including MCA-Vanuatu) or any other Permitted Designee under any Compact Document or Supplemental Agreement; (ii) failure by the Government, any Government Affiliate (including MCA-Vanuatu), any other Permitted Designee and, to the knowledge of the MCA-Vanuatu, any Provider, to substantially comply with any term or condition set forth in the Compact Documents applicable to such party, including Section 2.3 of the Compact; (iii) a material adverse change in the Governing Documents, status or existence of MCA-Vanuatu; (iv) a material modification, amendment, alteration, rescission, termination or suspension of any Supplemental Agreement other than as disclosed in writing to, and approved where necessary by, MCC; and (v) an act, event, circumstance or omission that has occurred or is pending or threatened that has or reasonably could be expected to have a material adverse change in or material adverse effect on: (1) the business, ministries, departments, property, operations, management, or condition, financial or otherwise, of the Government or any Government Affiliate (including MCA-Vanuatu) or, to the knowledge of MCA-Vanuatu, any other Permitted Designee, insofar as it is relevant to all or any part of the Program or Compact, (2) the ability of the Government, any Government Affiliate (including MCA-Vanuatu) or any other Permitted Designee or, to the knowledge of MCA-Vanuatu, any Provider, to perform any of its obligations in furtherance of the Compact or under any Supplemental Agreement or to exercise any of its rights under the Compact or any Supplemental Agreement, (3) the validity or enforceability of the Compact or any Supplemental Agreement, (4) the Program, any MCC Funding, Accrued Interest, Program Asset or any Permitted Account; or (5) the likelihood of successful implementation of the Compact consistent with the terms of the Compact Documents.

(d) No Untrue Statements or Material Omissions. None of the representations and warranties made to MCC by the Government, any Government Affiliate (including MCA-Vanuatu), or any other Permitted Designee (and to the knowledge of MCA-Vanuatu, any other Provider), none of the assurances by the Government made to MCC in any Compact Document, and none of the statements contained in any agreement, report, financial statement, communication or other document furnished by or on behalf of the Government, any Government Affiliate (including MCA-Vanuatu), any other Permitted Designee or, to the knowledge of MCA-Vanuatu, any other Provider, to MCC in connection with any Compact Document (i) contains any untrue statement of material fact or omits any material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading as of the time when made or delivered or (ii) omits any fact known to the Government, any Government Affiliate (including MCA-Vanuatu), or any other Permitted Designee, that if disclosed would (1) alter in any

material respect the information delivered or (2) likely have a material adverse effect on the ability of the Government, any Government Affiliate (including MCA-Vanuatu), any other Permitted Designee or other Provider to effectively implement, or ensure the effective implementation of, the Program or any Project or to otherwise carry out its responsibilities or obligations under or in furtherance of the Compact or any Supplemental Agreement.

(e) No Programmatic or Other Variance. MCA-Vanuatu is not aware of any fact or other information indicating that achievement of the Compact Goal and Objectives within the Compact Term, or satisfaction in a timely manner of the requirements of any component of the Implementation Plan or any Supplemental Agreement (including with respect to any conditions precedent for future MCC Disbursements) critical to the achievement of the Compact Goal and Objectives within such period of time, is unlikely.

ARTICLE III.

CONDITIONS PRECEDENT

Section 3.1 Conditions Prior to Initial MCC Disbursement. Prior to, and as a condition precedent to, the initial MCC Disbursement the following conditions shall have been met to MCC's satisfaction:

(a) Delivery of a certificate, satisfactory to MCC, issued or procured by the Ministry evidencing (i) the tax exempt status of the MCC Funding and of MCA-Vanuatu and certifying that it has taken all actions as may be necessary for the implementation and administration of the Government's compliance with Section 2.3(e) of the Compact, and (ii) the designation of a Ministry of Finance and Economic Management representative to serve as the liaison with other Government agencies in the administration of such tax exemptions and reimbursements and any other matters as may be necessary for the effective implementation of the Compact;

(b) Each Permit necessary or appropriate in connection with the due execution and delivery of this Agreement by MCA-Vanuatu and performance by MCA-Vanuatu of its obligations hereunder (and under any relevant Supplemental Agreement) in connection with the Project Activities to be funded by the initial Disbursement has been obtained, was validly issued, remains in full force and effect, is non-appealable, and is on file in the offices of MCA-Vanuatu;

(c) The Special Account has been duly established at the Bank in accordance with the Bank Agreement, the Fiscal Agent Agreement, the Fiscal Accountability Plan and the Compact Documents;

(d) Each of the conditions precedent to Entry into Force as set forth in Section 4.1 of the Compact have been satisfied;

(e) Delivery of a certificate, in form and substance satisfactory to MCC, signed by the Chair of the Steering Committee and the Director of MCA-Vanuatu (an "***MCA-Vanuatu Certificate***"), certifying that attached thereto are true, accurate and complete copies of the following documents, in form and substance satisfactory to MCC, which MCC may post on its website or otherwise make publicly available, together with the following certifications as to

such documents made by the Chair of the Steering Committee and the Director of MCA-Vanuatu:

(i) The Fiscal Agent Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(ii) The Bank Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(iii) The Procurement Agent Agreement, duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(iv) The Governing Documents, each duly executed and delivered and in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind, and such other executed and delivered documents in full force and effect, and any amendments of any thereto, evidencing that MCA-Vanuatu is duly formed, organized and in good standing under the laws of Vanuatu and in accordance with the Compact and is authorized to perform those Government Responsibilities and any rights and other obligations and responsibilities of the Government as may be designated to be carried out by MCA-Vanuatu in the Compact Documents or in any other Supplemental Agreements;

(v) An employment agreement between the Director and MCA-Vanuatu, duly approved by the Steering Committee of MCA-Vanuatu and MCC (attaching evidence thereof), executed and delivered and in full force and effect as of the date of the initial MCC Disbursement;

(vi) The Financial Plan for the Program and each Project, which (i) includes the Multi-Year Financial Plan, the annual Detailed Financial Plan for Year 1, and the quarterly Detailed Financial Plan for the first quarter of Year 1, (ii) is approved by MCC and is duly adopted by MCA-Vanuatu (attaching evidence thereof), and (iii) is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(vii) An interim Fiscal Accountability Plan, which is approved by MCC and is duly adopted by MCA-Vanuatu (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(viii) An interim Procurement Plan, which is approved by MCC and is duly adopted by MCA-Vanuatu (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(ix) A M&E Plan, which is approved by MCC and is duly adopted by MCA-Vanuatu (attaching evidence thereof), and is in full force and effect as of the date of the initial MCC Disbursement, without any alteration or suspension of any kind;

(x) (A) The most recently adopted annual national budget and any amendments or revisions thereto, (B) the comprehensive budget for each entity related to the

Program reflecting funding from all sources, including the annual national budget, extra-budgetary or off-budget funds, state-owned enterprises that contact activities for a public purpose and donors, to ensure the establishment of a baseline for allocation of domestic resources and (C) a report of actual expenditures of all resources for each entity related to the Program;

(xi) The incumbency and specimen signatures of the Chair of the Steering Committee and the Director of MCA-Vanuatu, as of the date of the initial MCC Disbursement; and

(xii) Such other documents regarding the formation, organization and staffing of MCA-Vanuatu as MCC requests;

(f) An opinion of counsel to MCA-Vanuatu addressed to MCC in form and substance acceptable to MCC; and

(g) A certificate satisfactory to MCC in form and substance, signed by a duly authorized representative of the Fiscal Agent (the “*Fiscal Agent Certificate*”), certifying that: (i) the execution, delivery and performance by the Fiscal Agent under the Fiscal Agent Agreement, the Bank Agreement and any other agreement entered into or to be entered into by the Fiscal Agent in furtherance of the Compact has been duly authorized by the Fiscal Agent and that performance thereof is a legal, valid and binding obligation of the Fiscal Agent, (ii) the Special Account is duly established in accordance with the Compact, and two senior authorized representatives of the Fiscal Agent have been given sole signatory authority on such Account and (iii) as of the date of the Fiscal Agent Certificate, the Fiscal Agent has engaged and has in place in Vanuatu the relevant staff designated to perform the services required under the Fiscal Agent Agreement, the Bank Agreement and any other agreement entered into or to be entered into by the Fiscal Agent in furtherance of the Compact.

Section 3.2 Deliveries Prior to Each MCC Disbursement. Prior to, and as condition precedent to, each MCC Disbursement, MCA-Vanuatu shall deliver the following documents to MCC (and shall provide a copy thereof to the Principal Representative of the Government), in form and substance satisfactory to MCC:

(a) MCC Disbursement Request. A completed MCC Disbursement Request, in the form attached hereto as Exhibit A and otherwise satisfactory to MCC in content, signed by the Director of MCA-Vanuatu and, with respect to certain sections, the Fiscal Agent, and certified by the Chair of the Steering Committee, and including the information required therein and the following supporting documentation, each of which shall be in form and substance satisfactory to MCC:

(i) Implementation Plan. Each of the following component documents of the Implementation Plan, to the extent that MCA-Vanuatu has not previously provided such documents in their most current form to MCC:

(1) A Detailed Financial Plan set forth on a rolling quarterly basis for the upcoming twelve (12) months and on an annual basis for each year of the Compact Term thereafter, with a description and justification, by each activity, of what will be accomplished with the MCC Funding being requested during such Disbursement Period;

(2) The Work Plan(s) for each activity to be funded during the Disbursement Period with the MCC Disbursement to be covered by such MCC Disbursement Request;

(3) The Procurement Plan and any modifications thereto;

(4) Any other component documents of the Implementation Plan for the Disbursement Period to be covered by such MCC Disbursement Request;

(5) Any proposed modification (together with a justification) to the Multi-Year Financial Plan, Detailed Financial Plan, Program and Project Work Plans, M&E Plan or other component documents of the Implementation Plan that is necessary or appropriate to accurately reflect the proposed implementation of the Program or to satisfy in a timely manner the requirements of any component of the Implementation Plan or any Compact Document (and if MCC approves such modification, the applicable component of the Implementation Plan shall be modified in writing to reflect the approved modification); and

(6) Any proposed waiver or deferral (together with a justification) of any condition precedent to the MCC Disbursement and Re-Disbursements in the Disbursement Period to which such MCC Disbursement Request applies (whether such conditions precedent are set forth in this Agreement or another document) (and if MCC approves such waiver or deferral, the document where such condition precedent is specified shall be modified in writing to reflect the approved waiver or deferral.

(ii) Management Discussion and Analysis. Other than with respect to the first two quarterly MCC Disbursements following the Entry into Force, one or more reports approved by the Steering Committee of MCA-Vanuatu that (1) compare the actual results or outputs of any Re-Disbursements made in the second most recent Disbursement Period to the Work Plans, M&E Plan, and any other component of the Implementation Plan relevant to such Disbursement Period and for the year to date, and (2) satisfy any other reporting requirements related to MCC Disbursements or otherwise required under any Compact Document.

(iii) Technical Audit Reports. The reports of any technical auditors engaged by MCA-Vanuatu for any Project Activity.

(b) MCA-Vanuatu Certificate. An MCA-Vanuatu Certificate, dated as of the date of such MCC Disbursement Request, and satisfactory to MCC in form and substance, certifying that, other than as specifically provided therein:

(i) Attached thereto is a true, correct and complete copy of the resolution duly adopted by the Steering Committee of MCA-Vanuatu authorizing the execution and delivery of the MCC Disbursement Request to MCC;

(ii) Immediately before and after giving effect to such MCC Disbursement, (1) all of the representations made by MCA-Vanuatu in Section 2.2 are true, correct and complete in all material respects as though made on the date of such MCC Disbursement Request and on the date of such MCC Disbursement and (2) no default or breach of any representation or assurance, covenant, obligation or responsibility has occurred and is continuing under (A) this Agreement, (B) the other Compact Documents, (C) the Supplemental Agreements

to which it is a party or (D) to the knowledge of MCA-Vanuatu, under any other Supplemental Agreement;

(iii) The expenditure for each of the items included in the MCC Disbursement Request is provided for in the Financial Plan (as modified from time to time pursuant to the Governing Documents and delivered to MCC), and unencumbered funds exist in the balance of the Financial Plan for each such expenditure;

(iv) Attached thereto is a true, correct and complete copy of each Supplemental Agreement, including all amendments thereto, to which the Government, any Government Affiliate, including MCA-Vanuatu, and any other Permitted Designee has become a party since the Entry into Force or since the previous MCC Disbursement Request, whichever is later, and which has not been previously provided to MCC;

(v) The documents attached to such MCA- Vanuatu Certificate, and all Supplemental Agreements, documents and Permits previously provided by MCC, have not been modified, rescinded or amended and are in full force and effect;

(vi) Attached thereto is a true, correct and complete list of all Permits that are necessary or appropriate in connection with the performance by MCA-Vanuatu of its obligations under any Compact Document or Supplemental Agreement during the Disbursement Period covered by such MCC Disbursement Request, and MCA-Vanuatu shall certify that it has obtained, or caused to be obtained, each Permit on that list and that each such Permit is on file in the offices of MCA-Vanuatu, is validly issued, is non-appealable and is in full force and effect;

(vii) Activities to be funded with the MCC Funding being requested by such MCC Disbursement Request will not violate any applicable law, regulation or obligation of MCA-Vanuatu, including Section 2.3 of the Compact, and, on the date of such MCC Disbursement Request and immediately before and after giving effect to such MCC Disbursement, the MCC Funding, Accrued Interest, or Program Assets have been or will be strictly used or applied in accordance with this Agreement, the Compact and all Supplemental Agreements;

(viii) As of the date of such MCC Disbursement Request, and immediately before and after giving effect to such MCC Disbursement, there are no liens or encumbrances of any kind on any Program Asset or on any Permitted Account (including any amounts held therein);

(ix) MCA-Vanuatu has maintained since the last MCC Disbursement a standard of thirty (30) days to pay valid invoices and has delivered or caused to be delivered to MCC satisfactory evidence of such prompt payment (*provided*, that this condition shall not apply to the initial MCC Disbursement);

(x) MCA-Vanuatu is in compliance with its obligation to post on the MCA-Vanuatu Website the updated Procurement Plan, as approved by MCC, that forecasts the procurement activities under the Program for at least the upcoming six-month period;

(xi) All notices of procurement actions have been posted on the MCA-Vanuatu Website in accordance with the Procurement Guidelines;

(xii) All reports (including financial reports) and other documents have been posted on the MCA-Vanuatu Website as required by Annex I of the Compact;

(xiii) The Government has obtained, or has caused to be obtained, to MCC's satisfaction, the insurance required (both in form and substance) under Section 3.9 of the Compact and Section 3(d)(ii)(5) of Annex I of the Compact in connection with the Disbursement Period or the activities to be performed or funded during the Disbursement Period covered by such MCC Disbursement Request (and attaching evidence thereof); and

(xiv) All of the conditions set forth in clauses (j) through (m) of Section 3.5 are true, complete and correct as of the date of such MCC Disbursement.

(c) Fiscal Agent Certificate. A Fiscal Agent Certificate, signed by a duly authorized representative of the Fiscal Agent, satisfactory to MCC in form and substance, dated as of the date of such MCC Disbursement Request, certifying: (i) that all of the representations made by the Fiscal Agent in Section 4.1 of the Fiscal Agent Agreement are true, correct and complete in all material respects as though made on the date of such MCC Disbursement Request and on the date of such MCC Disbursement; (ii) that the financial information regarding the Permitted Account(s) and the statements of cash expenditures contained in the MCC Disbursement Request are true, correct and complete; (iii) Taxes paid in the immediately previous Disbursement period have been reimbursed by the Government in accordance with the Compact and as specified in any Supplemental Agreement, and the Government is in compliance with all of its obligations under that Section 2.3(e) of the Compact and under any Supplemental Agreement related thereto; (iv) all Accrued Interest in the Permitted Accounts as of the end of the preceding quarter has been returned to the account designated by MCC; and (v) as to such other matters or other certifications as may be required by the Fiscal Agent Agreement or other relevant Supplemental Agreement.

(d) Audit Report. If required by the Audit Plan in respect of such Disbursement Period, an audit report, in accordance with the Compact and the Audit Plan.

(e) Other Documents. Such other documents as MCC may reasonably require or request from time to time.

Section 3.3 Deliveries on a Semi-Annual Basis. MCA-Vanuatu shall deliver, or cause the delivery of, the following documents to MCC on a semi-annual basis, in form and substance satisfactory to MCC, attached to an MCA-Vanuatu Certificate certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the quarter indicated:

(a) A performance review report on compliance with the Environmental Guidelines (as amended from time to time) and environmental and social safeguards described in the Compact and any relevant Supplemental Agreement;

(b) An audit report, providing financial information and review of compliance with the Fiscal Accountability Plan and Procurement Guidelines, in accordance with the Compact, Audit Plan and Audit Guidelines for the prior six (6) month period (to be delivered as a condition precedent for the quarter immediately following the applicable date of delivery of such report, as set forth in the current Audit Plan). Upon MCC's request, MCA-Vanuatu shall ensure

simultaneous delivery by the Auditor of the audit report to MCA-Vanuatu, MCC and the Inspector General; and

(c) A performance review report on compliance with the M&E Plan for the prior six (6) month period (to be delivered as a condition precedent for the quarter immediately following the applicable date of delivery of such report).

Section 3.4 Deliveries on an Annual Basis. MCA-Vanuatu shall deliver, or cause the delivery of, the following documents to MCC on an annual basis, in form and substance satisfactory to MCC, attached to an MCA-Vanuatu Certificate certifying that such documents are true, correct and complete in all material respects, the timely delivery of which shall be a condition precedent to any MCC Disbursement for the quarter indicated:

(a) (i) Certified copies of Steering Committee minutes and resolutions and other charter documents adopted in the prior year, (ii) evidence MCA-Vanuatu is in good standing in Vanuatu, and (iii) certified copies evidencing the adoption of any modifications to the Governing Documents mutually agreed upon by the Parties (Quarter 1, Years 2-5);

(b) (1) The most recently adopted national budget and any amendments or revisions thereto, (2) the comprehensive budget for each entity related to the Program reflecting funding from all sources, including the annual budget, extra-budgetary or off-budget funds, and state-owned enterprises that conduct activities of a public purpose and donors, to ensure the establishment of a baseline for allocation of domestic resources and (3) a report of actual expenditures of all resources for each entity related to the Program (submitted within ten (10) days after the final accounts for the previous year are completed);

(c) Evidence that the Government has reflected the financial activity of the Program in the budget documents of Vanuatu on a multi-year basis (Quarter 1, Years 2-5);

(d) A data quality audit in accordance with the M&E Plan (Quarter 1, Years 2-5);

(e) Certification of review and approval of any material change to the M&E Plan by the Steering Committee (Quarter 1, Years 2-5); and

(f) The detailed quarterly break-out of the conditions precedent and any other modifications or adjustments to the conditions precedent as referred to in Section 3.8.

Section 3.5 Other Conditions Precedent to MCC Disbursements. Prior to, and as a condition precedent to, any MCC Disbursement, MCA-Vanuatu shall satisfy, as MCC determines in its sole discretion, any conditions relevant to such MCC Disbursement as set forth in: (a) Schedule 1 (Additional Conditions Precedent) attached hereto; (b) any component document of the Implementation Plan; and (c) each of the following conditions; *provided* that paragraphs (c) through (h) shall not apply to the initial MCC Disbursement:

(a) There has been no material negative finding in any Audit report delivered under Section 3.3;

(b) The conditions to which MCA-Vanuatu has certified in the MCA-Vanuatu Certificate under Section 3.2(b) have been satisfied and are true and correct as of the date of such MCC Disbursement;

(c) There has been satisfactory progress on the Work Plans for any relevant Projects or Project Activities related to such MCC Disbursement, including actual compliance with any additional conditions precedent to such disbursement set forth therein and substantial compliance with the other requirements of such Work Plans, including any applicable reporting requirements for the relevant Disbursement Period;

(d) There has been (i) substantial compliance with the M&E Plan for the Program and (ii) actual compliance with the targets related to the M&E Plan specified in Schedule 1 to this Agreement, including any applicable reporting requirements for the relevant Disbursement Period;

(e) There has been satisfactory compliance with the Procurement Plan, including any applicable reporting requirements under the Procurement Agreement for the relevant Disbursement Period;

(f) There has been satisfactory compliance with the Audit Plan, including any applicable reporting and auditing requirements under any Auditor Agreement for the relevant Disbursement Period;

(g) MCA-Vanuatu has provided a satisfactory written response to any audit findings that have been issued prior to thirty (30) days before the date of the MCC Disbursement Request;

(h) The Government has agreed to fund any environmental mitigation and resettlement costs not already included in the Detailed Financial Plan;

(i) MCA-Vanuatu has delivered to MCC any reports required under the Compact Documents, including Section 3.12 of the Compact, and any other reports specified under any other Supplemental Agreement;

(j) No event, circumstance or condition that constitutes a Material Adverse Change shall have occurred and be continuing in its effects;

(k) (i) Any Taxes paid in connection with the Program during the immediately preceding quarter have been reimbursed by the Government in full in accordance with Section 2.3(e) of the Compact and (ii) all Accrued Interest in the Permitted Accounts as of the end of the preceding quarter has been returned to the account designated by MCC;

(l) The Government has satisfied in full all of its payment obligations, including any insurance, indemnification or other obligations, and has made all contributions of resources owed by the Government under the Compact Documents;

(m) MCA-Vanuatu has notified MCC of any modification, rescission, termination or suspension of any document and of any modification to any statement contained in any certificate delivered with or at the time of such MCC Disbursement Request such that if any such

certification as to such document or statement were delivered as of the date of such MCC Disbursement, it would be true, complete and correct; and

(n) MCC has not determined, in its sole discretion, that an act, omission, condition, or event has occurred that would be the basis for MCC to suspend or terminate, in whole or in part, MCC Funding in accordance with Section 5.4 (b) of the Compact.

Section 3.6 Conditions Precedent to Re-Disbursements. Prior to, and as a condition precedent to, any Re-Disbursement: (a) the Fiscal Agent shall have received adequate documentary evidence of, any necessary approvals for such Re-Disbursement as provided in the Compact, the Governing Documents, the Procurement Agreement, the Fiscal Accountability Plan and in any other applicable Supplemental Agreement; (b) all relevant conditions for such Re-Disbursement as provided in this Agreement, including in Section 1.2 and Schedule 1, any other Compact Document, the Implementation Plan or in any applicable Supplemental Agreement, shall have been satisfied; and (c) the Fiscal Agent shall have received all documents required in connection with such Re-Disbursement under the Fiscal Agent Agreement, the Fiscal Accountability Plan and any other Supplemental Agreement.

Section 3.7 Failure to Satisfy Conditions Precedent; Deferral.

(a) MCC may reduce the amount of any MCC Disbursement by an amount equal to the amount requested for any Program activity (including administrative or monitoring and evaluation), Project, Project Activity, or sub-activity for which the relevant condition precedent(s) has not been satisfied, waived or deferred.

(b) In the event of failure to meet a condition precedent, MCC shall not have an obligation to make a MCC Disbursement unless such condition is waived by MCC or such failure is cured to the satisfaction of MCC. Any such waiver or acceptance of a cure shall be at MCC's sole discretion.

(c) Notwithstanding Section 3.7(b), MCC may defer all or part of a condition precedent rather than waive it, in which case the condition must be met by the expiration of the deferral period stated in the notice delivered by MCC to MCA-Vanuatu as a condition precedent to the next stated applicable MCC Disbursement, and in no event shall the condition be deemed waived.

Section 3.8 Annual Supplement to this Agreement. Prior to each anniversary of the Entry into Force, the Parties shall agree in writing to a detailed quarterly breakdown of the conditions precedent and any other modifications or adjustments to the conditions precedent for the next four quarters, and this Agreement shall be amended to add such quarterly schedules or any other modifications or adjustments as a supplement to Schedule 1.

Section 3.9 Reports. Any report required as a condition precedent to an MCC Disbursement shall be provided to MCC in (a) form and substance acceptable to MCC and otherwise meeting the reporting specifications for such report and (b) a timely manner to afford reasonable and appropriate review of such reports, but in any event no later than thirty (30) days (or such other time as otherwise expressly agreed by the Parties) after the end of the time period covered by such report.

Section 3.10 Satisfaction of Conditions in Absence of Disbursement. The conditions precedent in Section 3.2 through 3.5 shall apply regardless of whether a Disbursement is requested by MCA-Vanuatu. In any quarter that MCA-Vanuatu does not request a Disbursement under this Agreement, MCA-Vanuatu shall nevertheless ensure that the applicable quarterly, semi-annual or annual conditions precedents are satisfied and shall present a complete Disbursement Request prior to the commencement of such quarter, including any reports required by any Compact Document.

ARTICLE IV.

GENERAL PROVISIONS

Section 4.1 Communications. Any notice, request, document or other communication required, permitted or submitted by a Party to another Party under this Agreement shall be (a) in writing, (b) in English, and (c) deemed duly given: (i) upon personal delivery to the Party or Parties to be notified; (ii) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party or Parties, if not, then on the next business day; or (iii) three (3) business days after deposit with an internationally recognized overnight courier, specifying next day delivery, with written verification of receipt to the Party or Parties to be notified at the address indicated below, or at such other address as such Party may designate:

To MCC:

Millennium Challenge Corporation
Attention: Vice President of Operations, with a copy to the General Counsel
875 Fifteenth Street, NW
Washington, DC 20005
United States of America
Fax: (202) 521-3701
Tel: (202) 521-3600
Email: VPOperations@mcc.gov (Vice President of Operations);
VPGeneralCounsel@mcc.gov (Vice President and General Counsel)

With a copy to:

Resident Country Director, Millennium Challenge Corporation,
At the Address to be Provided

To the Ministry, on behalf of the Government:

Ministry of Finance and Economic Management of the Republic of Vanuatu
Attention: Minister of Finance and Economic Management
PMB 9058
Port Vila, Republic of Vanuatu
Tel: (678) 23032
Fax: (678) 27937

Email: c/o the Director-General of the Ministry of Finance and Economic Management:
smathy@vanuatu.gov.vu

To MCA-Vanuatu:

Attention: Director-General of the Office of the Prime Minister, as the Chair of the
MCA-Vanuatu Steering Committee
PMB 9053 Port Vila
Republic of Vanuatu
Tel: (678) 22413
Fax: (678) 26708
Email: mcachair@vanuatu.gov.vu

With a copy to:

Director-General of the Ministry of Finance and Economic Management
PMB 9058
Port Vila, Republic of Vanuatu
Tel: (678) 23032
Fax: (678) 27937
Email: smathy@vanuatu.gov.vu

Director-General of the Ministry of Foreign Affairs
PMB 9051
Port Vila, Republic of Vanuatu
Tel: (678) 22913
Fax: (678) 27045
Email: gmaniuri@vanuatu.gov.vu

Director of the Management Unit of MCA-Vanuatu
P.O. Box 192
Port Vila, Republic of Vanuatu
Tel: (678) 26918
Fax: (678) 23087
Email: lvuti@vanuatu.gov.vu

Department of Finance, Ministry of Finance and Economic Management, as Fiscal Agent
Attention: Director of Finance
PMB 031
Port Vila, Vanuatu
Tel: (678) 24543
Fax: (678) 25533
Email: bshing@vanuatu.gov.vu

Section 4.2 Amendments. The Parties may amend this Agreement by entering into a written amendment to this Agreement signed by the Principal Representatives of the Parties.

Section 4.3 Publicity. Subject to Section 5.17 of the Compact, MCA-Vanuatu shall post, or cause to be posted, a copy of this Agreement and each MCC Disbursement Request on the MCA-Vanuatu Website and provide such other appropriate publicity to this Agreement that MCC requests.

Section 4.4 Nonwaiver of Remedies.

(a) The Parties agree that no delay or omission to exercise any right, power or remedy accruing to any Party, upon any breach, default or noncompliance by another Party under this Agreement or any other Compact Document, shall impair any such right, power or remedy, nor shall it be construed to be a waiver of any such breach, default or noncompliance, or any acquiescence therein, or of or in any similar breach, default or noncompliance thereafter occurring.

(b) The Parties further agree that any waiver, permit, consent or approval of any kind or character on any Party's part of any breach, default or noncompliance under this Agreement or any other Compact Document or any waiver or deferral on such Party's part of any provisions or conditions of this Agreement or any other Compact Document must be in writing and shall be effective only to the extent specifically set forth in such writing.

(c) All remedies, either under this Agreement or any other Compact Document, by law or otherwise afforded to any Party, shall be cumulative and not alternative.

Section 4.5 Attachments. Any Exhibit, Schedule or other attachment expressly attached hereto (together, the "**Attachments**") is incorporated herein by reference and shall constitute an integral part of this Agreement.

Section 4.6 Inconsistencies. In the event of any conflict or inconsistency between this Agreement and the Compact, the terms of the Compact shall prevail. In the event of any conflict or inconsistency between this Agreement and any other Supplemental Agreement, the terms of this Agreement shall prevail.

Section 4.7 Headings. The Section and Subsection headings used in this Agreement are included for convenience only and are not to be considered in construing or interpreting this Agreement.

Section 4.8 Severability. If one or more provisions of this Agreement are held to be unenforceable under any applicable law, such provision(s) shall be excluded from this Agreement and the balance of this Agreement shall be interpreted as if such provision(s) were so excluded and shall be enforceable in accordance with its terms.

Section 4.9 Interpretation. Any reference to the term "including" in this Agreement shall be deemed to mean "including without limitation" except as expressly provided otherwise. Any reference to "business days" shall mean any day that is not a Saturday, Sunday or other day on which financial institutions are closed for business in Washington, D.C and Port Vila, Vanuatu. Phrases such as "acceptable to," "to the satisfaction of", "at the discretion of" and phrases of similar import authorize and permit the relevant Party to approve, disapprove, act, or decline to act at such Party's sole discretion.

Section 4.10 Counterparts; Signatures. This Agreement may be executed in one or more counterpart signatures and, each when so executed and delivered, shall be effective for the purposes of binding the Parties hereto, but all such counterparts shall together constitute one and the same instrument. Except as the Parties may otherwise agree in writing from time to time, a signature delivered by facsimile or electronic mail in accordance with Section 4.1 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement, instrument or document on the basis of the signature's legal effect, validity or enforceability solely because it is in facsimile or electronic form. Such signature shall be accepted by the receiving Party as an original signature and shall be binding on the Party delivering such signature.

Section 4.11 Assignment. MCC may assign, delegate or contract its rights and obligations, in whole or in part, under this Agreement to any Affiliate, agent, or representative of MCC, to the full extent permitted by the laws of the United States of America, without the prior consent of the Ministry or MCA-Vanuatu. MCC shall provide written notice to the other Parties upon the effectiveness of such assignment, delegation or contract. Neither the Ministry nor MCA-Vanuatu may assign, delegate or contract its rights and obligations under this Agreement without the prior written consent of MCC. In accordance with Section 3.2(c) of the Compact, MCC hereby consents to the designation of the Ministry and MCA-Vanuatu to act on behalf of the Government in connection with this Agreement consistent with the Designated Rights and Responsibilities designated by the Government to the Ministry and to MCA-Vanuatu, respectively, on or before the date hereof, so long as such designation is not modified or revoked.

Section 4.12 Entire Agreement. This Agreement, including all Attachments, and all certificates, documents or agreements executed and delivered in connection with and in furtherance of this Agreement, when executed and delivered, shall constitute the entire agreement of the Parties with respect to the subject matter hereof, superseding and extinguishing all prior agreements, understandings and representations and warranties relating to the subject matter hereof.

Section 4.13 Termination; Suspension; Other Consequences; Survival.

(a) MCC may terminate this Agreement in its entirety by giving the other Parties thirty (30) days written notice.

(b) Notwithstanding any other provision of this Agreement or any other Supplemental Agreement between MCC and the Government (or any Government Affiliate), MCC may suspend or terminate this Agreement, in whole or in part, and any obligation or sub-obligation related thereto, or suspend or withhold any MCC Disbursement or portion thereof, upon giving MCA-Vanuatu written notice, if MCC determines that:

(i) The Compact has expired or has been suspended or terminated in whole or in part in accordance with Section 5.4 of the Compact; *provided, however*, that this Agreement shall remain in effect for ninety (90) days following the termination or expiration of the Compact or such other period as may be determined by MCC in accordance with Section 4.19;

(ii) Any event that would be a basis for termination or suspension of the Compact or MCC Funding under Section 5.4 of the Compact has occurred; or

(iii) Any other event has occurred, or circumstance has arisen, which in the sole opinion of MCC, constitutes a Material Adverse Change.

(c) If MCC determines that any activity or failure to act violates, or may violate, Article II of the Compact, any provision of this Agreement or any other Compact Document, MCC may refuse to make any further MCC Disbursements for or conditioned upon such activity, and may take any action to prevent any Re-Disbursement related to such activity.

(d) Notwithstanding any expiration or termination of this Agreement, the following provisions of this Agreement shall survive: Article II (including any representations made pursuant to a Disbursement Request or MCC Disbursement), Sections 1.2, 4.1, 4.4, 4.6, 4.7, 4.8, 4.9, 4.13(b)-(d), 4.14, 4.15, 4.16, 4.17, 4.18 and 4.19.

Section 4.14 MCC Status. The Parties recognize and agree that MCC is a United States government corporation and an instrumentality of the United States Government acting on its behalf in the implementation of the Compact. As such and pursuant to Section 5.5 of the Compact, MCC has no liability under this Agreement and is immune from any action or proceeding arising under or relating to this Agreement. The Ministry and MCA-Vanuatu each hereby waive and release (i) all claims against MCC related to any such liability and (ii) any rights to bring any proceeding against MCC in the courts or any other judicial or other body of Vanuatu or in any other jurisdiction. Nothing in this agreement shall be construed or interpreted as a waiver of any rights, privileges or immunities granted to MCC under the Compact.

Section 4.15 Representatives. For all purposes relevant to this Agreement, the Ministry shall be represented by the individual holding the position of, or acting as, the Minister of Finance and Economic Management (the “**Principal Ministry Representative**”), MCC shall be represented by the individual holding the position of, or acting as, Vice President of Operations (the “**MCC Principal Representative**”) and MCA-Vanuatu shall be represented by the individual holding the position of, or acting as, Director-General of the Office of the Prime Minister, who shall serve as Chair of the Steering Committee of MCA-Vanuatu (the “**MCA-Vanuatu Principal Representative**,” and together with the Principal Ministry Representative and the MCC Principal Representative, the “**Principal Representatives**”), each of whom, by written notice, may designate one or more additional representatives (each, an “**Additional Representative**”) for all purposes other than signing amendments to this Agreement. The names of the Principal Ministry Representative, the MCC Representative and the MCA-Vanuatu Principal Representative and any Additional Representatives of each shall be provided, with specimen signatures, to each of the other Parties pursuant to Section 4.2 and the Parties may accept as duly authorized any instrument signed by such representatives relating to the implementation of this Agreement, until receipt of written notice of revocation of their authority. MCC or the Government may change its Principal Representative under this Agreement to a new representative of equivalent or higher rank and seniority upon written notice to the other Parties, which notice shall include the specimen signature of such new Principal Representative.

Section 4.16 Information. MCC shall have the right to use any information or data provided in any MCC Disbursement Request or report provided to MCC for the purpose of satisfying MCC reporting requirements or in any other manner.

Section 4.17 Other Compact Document Requirements. The Ministry and MCA-Vanuatu shall comply with all applicable terms and conditions and fulfill all applicable Government Responsibilities in the other Compact Documents, including paragraphs (a), (b), (c), (d) and (f) of Section 3.8 of the Compact (which paragraphs are hereby incorporated by reference herein), and any other audit or reporting requirements.

Section 4.18 Consultation. Any Party may, at any time, request consultations relating to the interpretation or implementation of this Agreement between the Parties. Such consultations shall begin at the earliest possible date. The request for consultations shall designate a representative for the requesting Party with the authority to enter consultations and the other Parties shall endeavor to designate a representative of equal or comparable rank. If such representatives are unable to resolve the matter within twenty (20) days from the commencement of the consultations then each Party shall forward the consultation to its respective Principal Representative or such other representative of comparable or higher rank. The consultations shall last no longer than forty-five (45) days from date of commencement. If the matter is not resolved within such time period, MCC may terminate this Agreement pursuant to Section 4.13(a). The Parties shall enter any such consultations guided by the principle of achieving the Compact Goal in a timely and cost-effective manner.

Section 4.19 Effective Date; Term. This Agreement shall (a) become effective and enter into force as of the date hereof upon the signature of duly authorized representatives of the Parties (the “*Effective Date*”) and (b) end one hundred twenty (120) days following the termination or expiration of the Compact; *provided, however,* that the term of this Agreement may be extended for a period that is longer than one hundred twenty (120) days following the termination or expiration of the Compact if MCC determines that Re-Disbursements related to obligations incurred prior to the expiration or termination of the Compact remain to be paid.

SIGNATURE PAGE BEGINS ON THE NEXT PAGE.

IN WITNESS WHEREOF, the Government acting through the Ministry, MCA-Vanuatu and MCC, each acting through its duly authorized representative, have caused this Agreement to be executed in their names and delivered as of the date first written above.

**MINISTRY OF FINANCE AND
ECONOMIC MANAGEMENT,
ON BEHALF OF THE GOVERNMENT
OF THE REPUBLIC OF VANUATU**

**MILLENNIUM CHALLENGE
CORPORATION**

By: _____ / s / _____

By: _____ / s / _____

Name: Honorable Willie J. Tapangararua
Title: Minister of Finance and Economic
Management

Name: John Hewko
Title: Vice President of Operations

Date: _____ April 28, 2006 _____

Date: _____ April 28, 2006 _____

MCA-VANUATU

By: _____ / s / _____

Name: Jean Sese
Title: Director-General of the Office of
the Prime Minister, as Chair of the Steering
Committee of MCA-Vanuatu

Date: _____ April 28, 2006 _____

**SIGNATURE PAGE TO DISBURSEMENT AGREEMENT BY AND AMONG THE MILLENNIUM
CHALLENGE CORPORATION, THE MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT, ON
BEHALF OF THE GOVERNMENT OF VANUATU
AND MCA-VANUATU**

EXHIBIT A

FORM OF MCC DISBURSEMENT REQUEST

Section 1. Request Summary	
Country	Republic of Vanuatu
Projects	
Compact Date/ Entry into Force	March 2, 2006/ April 28, 2006
Compact Number (noted on exchange of letters required for Entry into Force)	COM05VAN06001
Accountable Entity	MCA-Vanuatu
Fiscal Agent	Department of Finance
Request Date	
Disbursement Period Beginning Date	
Disbursement Period End Date	
Disbursement Request Number	
Currency	US Dollars
Exchange Rate used to calculate U.S. Dollar equivalent of any local currency balance for purposes of this MCC Disbursement Request	
A. Disbursement Request: The undersigned hereby requests the Millennium Challenge Corporation to disburse funds under the Compact as follows:	
1. Cash requested from the Millennium Challenge Corporation (amount in USD):	[US\$]
2. Amount requested in words (in USD):	[US Dollars]
B. Compliance. The undersigned confirms that the MCC Disbursement requested hereby is in accordance with the terms and conditions set forth in the Compact, the Disbursement Agreement (as defined below) and each Compact Document (as defined in the Disbursement Agreement), including the limitations on the use or treatment of MCC Funding set out in Section 2.3 of the Compact.	
C. Authorization: The undersigned acknowledges that funds disbursed in accordance with this request will be deposited in a Permitted Account in accordance with the wiring instructions provided pursuant to Section 1(a)(iii) of the Disbursement Agreement dated as of [_____] by and among the Ministry of Finance and Economic Management, on behalf of the Government of the Republic of Vanuatu, the Millennium Challenge Corporation and MCA-Vanuatu (the "Disbursement Agreement").	
D. Certificates. Attached hereto are the certificates required under Article III of the Disbursement Agreement.	
E. Definitions. Capitalized terms used herein shall have the meanings assigned to such terms in the Compact by and between the Government of the Republic of Vanuatu and the United States, acting through the Millennium Challenge Corporation, dated March 2, 2006 and entered into force on [_____].	

MCA-Vanuatu

By: _____

Name: _____

Title: _____

As Authorized Principal Representative of MCA-Vanuatu

Date: _____

Certified by the Chair of the Steering Committee of MCA-Vanuatu

By: _____

Name: _____

Date: _____

[_____] , as the **Fiscal Agent**

By: _____

Name: _____

Date: _____

Signing only for the purposes of Sections 2(B) through 2(F) and Sections 3-5 of this Request.

Section 2. Programmatic and Financial Progress Update

- A. Program and Project Progress Reports required in the M&E Plan, Work Plans and other Components of the Implementation Plan, including the Management Discussion and Analysis Report (as described in Section 3.2(a)(ii) of the Disbursement Agreement)**

B. Total Program Financial Plan Adjustment Request Form

Transport Infrastructure Project Project Activities	Original Program Multi-Year Financial Plan in Compact	Current Approved Multi-Year Financial Plan (From Sch. C)	Proposed Adjustments		Proposed Adjusted Multi-Year Financial Plan 2+3-4
			Increase	Decrease	
	1	2	3	4	5
1. Infrastructure Activity		-	-	-	-
Efate Ring Road					-
Santo-East Coast Road					-
Santo-South Coast Road Bridges					-
Malekula-Norsup Lakatoro Lits Lits Road					
Malekula-South Wst bay Airstrip					
Pentecost-Loltong Wharf and N-S Road					
Tanna-Whitesands Road					
Epi-Lamen Bay Wharf					
Ambae-Road Creek Crossings					
Malo-Road Upgrade					
Warehouses					
2. Institutional Strengthening Activity					
3. Monitoring and Evaluation		-	-	-	-
					-
4. Program Administration and Control					-
Program Administration					
Audit					
Fiscal and Procurement Management					
Grand Total	-	-	-	-	-

C. Summary of Financial Plan Adjustments to Date

Transport Infrastructure Project Project Activities	Original Program Multi-Year Financial Plan in Compact	(Date) Adjustment Reported/ Approved	(Date) Adjustment Reported/ Approved	(Date) Adjustment Reported/ Approved	Current Approved Multi-Year Financial Plan 1 +/- Adjustments
	1	2	3	4, etc.	5
		-	-	-	-
1. Infrastructure Activity					
Efate Ring Road					-
Santo-East Coast Road					-
Santo-South Coast Road Bridges					-
Malekula-Norsup Lakatoro Lits Lits Road					
Malekula-South Wst bay Airstrip					
Pentecost-Loltong Wharf and N-S Road					
Tanna-Whitesands Road					
Epi-Lamen Bay Wharf					
Ambae-Road Creek Crossings					
Malo-Road Upgrade					
Warehouses					
2. Institutional Strengthening Activity					
3. Monitoring and Evaluation					
4. Program Administration and Control					
Program Administration					
Audit					
Fiscal and Procurement Management		-	-	-	-
Grand Total					

D. Quarterly Financial Plan Adjustment Request Form

Transport Infrastructure Project	Current Approved Cumulative Quarterly Financial Plan Through Current Period	Proposed Adjustments to Cumulative Quarterly Financial Plan Through Next Period		Proposed Cumulative Quarterly Financial Plan as of the End of the Next Period
		Increase	Decrease	
Project Activities	1	2	3	1+2-3 4
	-	-	-	-
1. Infrastructure Activity				
Efate Ring Road				
Santo-East Coast Road				
Santo-South Coast Road Bridges				
Malekula-Norsup Lakatoro Lits Lits Road				
Malekula-South Wst bay Airstrip				
Pentecost-Loltong Wharf and N-S Road				
Tanna-Whitesands Road				
Epi-Lamen Bay Wharf				
Ambae-Road Creek Crossings				
Malo-Road Upgrade				
Warehouses				
2. Institutional Strengthening Activity	-	-	-	-
3. Monitoring and Evaluation				
4. Program Administration and Control				
Program Administration				
Audit				
Fiscal and Procurement Management	-	-	-	-
Grand Total	-	-	-	-

E. Commitment and Expenditure Report

Transport Infrastructure Project Project Activities	Cumulative Actual Re- disbursements as of the Beginning of the Current Period	Projected Re- disbursements for the Current Period	Projected Cumulative Re- disbursement Through the Current Period (1+2)	Projected Unliquidated Commitments as of the End of the Current Period	Projected Cum. Commitments and Re-disburse-ments End of Current Period	Current Proposed Multi- year Financial Plan	Projected Balance Multi- year Financial Plan-End of Current Period (6-5)
	1	2	3	4	5	6	7
	-	-	-	-	-	-	-
1. Infrastructure Activity							
Efate Ring Road					-		
Santo-East Coast Road					-		
Santo-South Coast Road Bridges					-		
Malekula-Norsup Lakatoro Lits Lits Road							
Malekula-South Wst bay Airstrip							
Pentecost-Loltong Wharf and N-S Road							
Tanna-Whitesands Road							
Epi-Lamen Bay Wharf							
Ambae-Road Creek Crossings							
Malo-Road Upgrade							
Warehouses							
2. Institutional Strengthening Activity							
	-	-	-	-	-	-	-
3. Monitoring and Evaluation							
4. Program Administration and Control							
Program Administration							
Audit							
Fiscal and Procurement Management	-	-	-	-	-	-	-
Grand Total	-	-	-	-	-	-	-

F. Projected Program Cash Requirements for Next Disbursement Period

Transport Infrastructure Project Project Activities	Projected Cumulative Re-disbursement Through the Current Period (Sch. E, Col 3)	Projected Cash Requirements for the Next Disbursement Period	Projected Cumulative Re-disbursements as of the End of the Next Disbursement Period (1+2)
	1	2	3
1. Infrastructure Activity	-	-	-
Efate Ring Road			
Santo-East Coast Road			
Santo-South Coast Road Bridges			
Malekula-Norsup Lakatoro Lits Lits Road			
Malekula-South Wst bay Airstrip			
Pentecost-Loltong Wharf and N-S Road			
Tanna-Whitesands Road			
Epi-Lamen Bay Wharf			
Ambae-Road Creek Crossings			
Malo-Road Upgrade			
Warehouses			
2. Institutional Strengthening Activity			
3. Monitoring and Evaluation	-	-	-
4. Program Administration and Control			
Program Administration			
Audit			
Fiscal and Procurement Management			
Grand Total	-	-	-

Section 3. Cash Reconciliation

Date _____

1. Cash Balance From Beginning of Current Period	
2. a. Add: MCC Disbursement Received and Date Received	
2. b. Interest Earned and Received	
2. c. Amount and Source of Other Cash Received	
3. Total Sources of Cash This Period, Lines 2.a + 2.b + 2.c	-
4. Total Cash Available, Lines 1 + 3	\$ -
5. a. Less: Total Program Re-Disbursements	
5. b. Interest Returned to the US Government	
6. Total Uses of Cash This Period, Lines 5.a + 5.b	-
7. Cash Balance at End of Disbursement Period, Lines 4 - 6	\$ -

Section 4. Disbursement Request

1. Total Forecasted Program Cash Requirements - Sch. F, Col 2	
2. Interest to be Returned to the US Government Next Period	
3. Working Capital Balance	500,000.00
4. Total, Lines 1 + 2 + 3	\$ 500,000.00
5. Cash Balance at End of Current Period - Section 3, Line 7	-
6. Disbursement Request From MCC 4 - 5	\$ 500,000.00

Section 5. Interest Summary

1. Cumulative Interest Earned and Received as of Beginning of Current Period	
2. Interest Earned and Received During the Current Period	
3. Total Interest Earned as of End of This Period, Lines 1 + 2	\$ -
4. Cumulative Interest Returned as of Beginning of Current Period	
5. Interest Returned The Current Period	
6. Total Cumulative Interest Returned During the Current Period, Lines 4 + 5	-
7. Interest Due to Be Returned, Line 3 - 6	\$ -

Section 6. Conditions Precedent (Including Expected Performance Milestones)	
Country	Republic of Vanuatu
Projects	
Compact Date/Entry of Force	March 2, 2006 / April 28, 2006
Compact Number (noted on exchange of letters for entry into force of the Compact)	COM05VAN06001
Accountable Entity	MCA-Vanuatu
Fiscal Agent	Department of Finance
Request Date	
Disbursement Period Beginning Date	
Disbursement Period End Date	
Disbursement Request Number	
Currency	US Dollars
Conditions Precedent and Key Milestones	

SCHEDULE 1
ADDITIONAL CONDITIONS PRECEDENT

[SEE ATTACHED]

**MCA-Vanuatu
Disbursement Agreement Schedule 1
Conditions Precedent**

Except as otherwise expressly specified below, each document required as a condition precedent herein shall be in form and substance acceptable to MCC.

Disbursements in years 2-5 shall be subject to additional conditions precedent set forth in the Implementation Plan, the Compact Documents, any other Supplemental Agreement and any amendments to the Disbursement Agreement, including the annual supplements to this Schedule 1, as provided in Section 3.8. For purposes of the Disbursement Agreement, each quarter shall begin on the 1st day of each of January, April, July and October; provided that, the first quarter of Year 1 shall begin on the date of Entry into Force and shall end on June 30 2006.

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
Program Administration and all Project Activities										
<i>Program Administration and all Project Activities</i>	Director and Analysts of Program Management Unit of MCA-Vanuatu are selected and approved by MCC and remain engaged, or in the event the position(s) are vacant, MCA-Vanuatu is actively recruiting for the position(s)	Prior to initial disbursement								
	Environmental and Social Impact Officer for MCA-Vanuatu, to be located in the Ministry of Lands-Environment Unit, is selected and approved by MCC and remains engaged; or, in the event the position are vacant, MCA-Vanuatu is actively recruiting for the position	Prior to each disbursement beginning Year 1 Q3								
	MCA-Vanuatu has adopted a Fiscal Accountability Plan approved by MCC, and such Fiscal Accountability Plan remains in full force and effect	Prior to each disbursement beginning Year 1 Q2								
	MCA-Vanuatu has adopted an Audit Plan approved by MCC and such Audit Plan is current and updated	Prior to each disbursement beginning Year 1 Q2								
	MCA-Vanuatu has adopted a Procurement Plan approved by MCC, and such Procurement Plan remains in full force and effect	Prior to each disbursement beginning in Year 1 Q3								
	MCA-Vanuatu has adopted a bid challenge system approved by MCC and such system remains in full force and effect	Prior to each disbursement for any Project Activity beginning in Year 1 Q3								
	MCA-Vanuatu has adopted procurement operations manual(s) approved by MCC and such manuals remain in full force and effect	Prior to each disbursement for any Project Activity beginning in Year 1 Q3								
	MCA-Vanuatu has adopted bidding and proposal documents approved by MCC	Prior to Year 1 Q3								
	MCA-Vanuatu has procured the Data Quality Auditor	Prior to Year 1 Q3								
	MCA-Vanuatu has adopted and MCC has approved reporting forms and data management procedures consistent with the M&E Plan (i.e. for data collection, quality control and reporting)	Prior to Year 1 Q4								
	MCA-Vanuatu shall execute an implementing entity agreement with the Department of Public Works in a form acceptable to MCC, which agreement shall be in full force and effect	Prior to each disbursement beginning in Year 1 Q2								
	MCA-Vanuatu shall execute an implementing entity agreement with the Ministry of Lands - Environment Unit regarding the ES Officer, in a form acceptable to MCC, which agreement shall be in full force and effect	Prior to each disbursement beginning Year 1 Q2								
Transport Infrastructure Project										
1. Institutional Strengthening Activity										
	PWD Service Performance Contract shall be executed and in full force and effect	Prior to disbursement in Q4 of Year 1								

**MCA-Vanuatu
Disbursement Agreement Schedule 1
Conditions Precedent**

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
	<u>PWD Performance Contract</u> : (i) PWD compliance with Service Performance Contract and annual action plan of the previous year; and, (ii) The Government, via appropriation, to allocate adequate budgetary resources for road maintenance. The amount to be allocated will be based on the requirements specified in the in the Implementing Entity Agreement and be based on the progressive annual capacity requirements of PWD. This figure should also correspond with that provided in the detailed financial plans and the M&E plan and any amendments thereof	Performance targets linked to annual disbursements in Q 1 of Years 2-5 (timing will depend on performance review and budget cycle)								
2. Infrastructure Activity										
	MCA-Vanuatu provides certification from the Ministry of Finance indicating that the Government will fund any environmental mitigation costs during the Compact Term not already included in the Financial Plan	Prior to disbursement for any Infrastructure Activity in Q2 of Year 1								
	All HIES enumeration and data entry completed	Prior to disbursement for any construction activity in Q4 of Year 1								
	Finalized HIES Report completed, approved by the Data Quality Auditor and submitted to MCC (including raw data files)	Prior to disbursement for any construction activity in Q1 of Year 2								
	Finalized Road-side Enterprise Survey report completed, and submitted to MCC (including raw data files)	Prior to disbursement for any construction activity in Q1 of Year 2								
	Finalized Tourism Surveys and Report completed, and submitted to MCC (including raw data files)	Prior to disbursement for any construction activity in Q1 of Year 2								
	Baseline Traffic count survey data collected as described in the M&E Plan and summary tables prepared, and submitted to MCC	Prior to disbursement for any construction activity in Q1 of Year 2								
2A. Efate Ring Road (Infrastructure Subproject Activity)										
	<u>Community Maintenance Contracts</u> : Establishment of Maintenance Contracts with community representatives for Efate Ring Road (with rural villages)	Prior to disbursement in Q1 of Year 2, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity								

**MCA-Vanuatu
Disbursement Agreement Schedule 1
Conditions Precedent**

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
2B. Santo East Coast Road (Infrastructure Subproject Activity)										
	<u>Community Maintenance Contracts:</u> Establishment of Maintenance Contracts with community representatives for Santo East Coast Road (with rural villages)	Prior to disbursement in Q1 of Year 2, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity.								
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for this Infrastructure Subproject Activity								
2C. Tanna Whitesands Road (Infrastructure Subproject Activity)										
	<u>Community Maintenance Contracts:</u> Establishment of Maintenance Contracts with community representatives for Tanna Whitesands Road (with rural villages)	Prior to disbursement in Q1 of Year 2, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity.								
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								

**MCA-Vanuatu
Disbursement Agreement Schedule 1
Conditions Precedent**

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for this Infrastructure Subproject Activity								
2D. Malekula Norsup-Lits Lits Road (Infrastructure Subproject Activity)										
	<u>Community Maintenance Contracts:</u> Establishment of Maintenance Contracts with community representatives for Malekula Norsup Lakatoro Lits Lits Road (with rural villages)	Prior to disbursement in Q1 of Year 3, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for this Infrastructure Subproject Activity								
2E. Pentecost North-South Road (Infrastructure Subproject Activity)										
	<u>Community Maintenance Contracts:</u> Establishment of Maintenance Contracts with community representatives for Pentecost North-South Road	Prior to disbursement in Q2 of Year 3, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								

**MCA-Vanuatu
Disbursement Agreement Schedule 1
Conditions Precedent**

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period							
			Year 1				Year 2	Year 3	Year 4	Year 5
			Q1	Q2	Q3	Q4				
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for this Infrastructure Subproject Activity								
2F. Malo Roads Upgrade (Infrastructure Subproject Activity)										
	Community Maintenance Contracts: Establishment of Maintenance Contracts with community representatives for Malo Roads	Prior to disbursement in Q1 of Year 2, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC.	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity								
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for this Infrastructure Subproject Activity								
2G. Lolong Wharf (Infrastructure Subproject Activity)										
	Lolong Wharf User Fees: The development of a revenue collection mechanism and implementation plan	Prior to disbursement in Q2 of Year 3, or the revised construction commencement date								
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity								

**MCA-Vanuatu
Disbursement Agreement Schedule 1
Conditions Precedent**

Program or Project Activity	Condition Precedent	Notes (including sequencing of condition precedent)	Implementation Period								
			Year 1				Year 2	Year 3	Year 4	Year 5	
			Q1	Q2	Q3	Q4					
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity									
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for this Infrastructure Subproject Activity									
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for this Infrastructure Subproject Activity									
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for this Infrastructure Subproject Activity									
2H. Remaining Four Infrastructure Subproject Activities: i) Ambae Roads/Creek Crossings, ii) Lamem Bay Wharf, iii) SW Bay Airstrip, and iv) Warehouses											
	MCA-Vanuatu provides evidence that any required resettlement action plan has been completed and implemented in accordance with WB Involuntary Resettlement Policy (OP 4.12), in a manner acceptable to MCC	Prior to initial disbursement for construction for the Infrastructure Subproject Activities									
	MCA-Vanuatu provides evidence that the environmental assessment for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for the Infrastructure Subproject Activities									
	MCA-Vanuatu provides evidence that the Environmental Management Plan for this Infrastructure Subproject Activity has been completed and is acceptable to MCC	Prior to initial disbursement for construction for the Infrastructure Subproject Activities									
	MCA-Vanuatu provides evidence of continued compliance, satisfactory to MCC, with Environmental Management Plans	Prior to any disbursement for construction for the Infrastructure Subproject Activities									
	MCA-Vanuatu provides a list of all permits necessary to perform the Infrastructure Subproject Activity, including any required environmental permits and related public disclosure and consultation, and certifies that such permits are on file and have been validly issued, are in full force and effect, and are non-appealable	Prior to each disbursement for the Infrastructure Subproject Activities									

SCHEDULE 2

GLOSSARY

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