

FISCAL AGENT AGREEMENT

by and between

MCA-VANUATU

and

DEPARTMENT OF FINANCE, on behalf of
THE MINISTRY OF FINANCE AND ECONOMIC MANAGEMENT
(as the Fiscal Agent)

Dated as of _____, 2006

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FISCAL AGENT AGREEMENT

This FISCAL AGENT AGREEMENT (this “*Agreement*”) is made as of the of April, 2006 (the “*Effective Date*”), by and between MCA-Vanuatu, an independent unit within the Ministry of Finance and Economic Management (the “*Ministry*”) established under the laws of Vanuatu (“*MCA-Vanuatu*”), and the Department of Finance on behalf of the Ministry, in its capacity as fiscal agent (the “*Department of Finance*” or “*Fiscal Agent*”) (collectively, the “*Parties*” and each individually a “*Party*”).

RECITALS

WHEREAS, the United States of America, acting through the Millennium Challenge Corporation (“*MCC*”), and the Government of the Republic of Vanuatu (the “*Government*”) executed the Millennium Challenge Compact in Port Vila, Vanuatu, on March 2, 2006 (the “*Compact*”), that sets forth the general terms and conditions on which MCC will provide funding of up to USD \$65,690,000 to the Government for a Millennium Challenge Account program to advance economic growth and reduce poverty in Vanuatu;

WHEREAS, as a condition precedent to the initial MCC Disbursement under the Compact, the Government must deliver to MCC an executed copy of a fiscal agent agreement, in form and substance satisfactory to MCC, which specifies the terms and conditions on which a fiscal agent will act as agent and provide certain services to MCA-Vanuatu under and in furtherance of the Compact; and

WHEREAS, the purpose of this Agreement is to establish the terms whereby the Department of Finance shall provide certain services to MCA-Vanuatu on fiscal management issues to ensure a proper, efficient, and transparent use of resources provided in the context of the MCC Compact.

NOW THEREFORE, in consideration of the mutual promises and covenants contained herein, the Parties, intending to be legally bound, agree:

ARTICLE I. APPOINTMENT; SERVICES; OBLIGATIONS

Section 1.1 Appointment of the Fiscal Agent. Subject to the terms and conditions of this Agreement, MCA-Vanuatu hereby appoints the Department of Finance as the Fiscal Agent to act as agent as further set forth and explicitly authorized herein, and Department of Finance hereby accepts such appointment and agrees to perform the Agency Services (as defined in Section 1.2) in accordance with the terms of this Agreement.

Section 1.2 Description of Services. The Fiscal Agent shall provide services to MCA-Vanuatu as described herein and as further described in Exhibit A (collectively, the “*Agency Services*”). The Fiscal Agent shall undertake and provide all Agency Services in accordance with the terms and conditions set forth in this Agreement.

Section 1.3 Reports and Information. The Fiscal Agent shall submit to MCA-Vanuatu financial information and other reports or documents as detailed in Exhibit A.

Section 1.4 Books and Records; Access. The Fiscal Agent shall keep (a) accurate and systematic books, records, documents and other evidence of the Fiscal Agent's performance of the Agency Services in such form and detail as is customary in the financial management profession and (b) all Compact Records pertaining to the Agency Services in accordance with the requirements of Section 3.8(b) of the Compact. All Fiscal Agent books, records, documents and other evidence related to this Agreement (and any other Compact Records pertaining to the Agency Services) shall be made available to MCA-Vanuatu, other Permitted Designees, MCC, the Inspector General, the United States Government Accountability Office, any auditor responsible for an audit contemplated herein or otherwise conducted in furtherance of the Compact, and any employees, contractors, agents or authorized representatives engaged by any of the foregoing for inspection and copying for a period of at least five (5) years after the expiration or termination of this Agreement, or such longer period if required to resolve any litigation, claims or audit findings or any statutory requirements, unless such items have been returned to MCA-Vanuatu pursuant to Section 3.3(e).

Section 1.5 Fiscal Agent Staff and Subcontractors.

(a) The Fiscal Agent shall use only qualified, experienced, and reliable staff for the performance of the Agency Services. The rights and duties of the Fiscal Agent's staff shall be defined in the contracts between such staff and the Fiscal Agent, which shall be in accordance with all labor laws and regulations of Vanuatu, and neither MCA-Vanuatu nor MCC shall have any direct or indirect liability under or in respect of such contracts.

(b) The Fiscal Agent may enter into subcontracts with firms or individuals to assist the Fiscal Agent in providing the Agency Services; *provided, however*, that the engagement of any such firms or individuals are subject to the prior written approval of MCA-Vanuatu and MCC. The Fiscal Agent shall ensure that such subcontractors use only qualified, experienced and reliable personnel to perform the services in connection with this Agreement, and the provisions of Section 1.5(a) shall apply to such personnel. The Fiscal Agent shall assume liability for the services rendered by any subcontractor, and the Fiscal Agent shall remain ultimately responsible to MCA-Vanuatu for the performance of such subcontracted services. Any such subcontracting by the Fiscal Agent shall not relieve the Fiscal Agent of its responsibilities under this Agreement to provide the Agency Services. Neither MCA-Vanuatu nor MCC shall have any liability, direct or indirect, to any subcontractor.

(c) The names, qualifications and experiences of the Fiscal Agent staff and any subcontractors that MCA-Vanuatu and MCC have approved as of the Effective Date are listed on Exhibit B.

(d) Any replacement, modification or addition to the Fiscal Agent's staff or to any of its subcontractors assigned to perform the Agency Services provided under this Agreement by the Fiscal Agent shall be subject to the prior written approval of MCA-Vanuatu and MCC, such approval not to be unreasonably withheld, *provided, however*, that any potential interruption,

delay or material alteration of the Agency Services shall be a sufficient reason for MCA-Vanuatu or MCC to deny such approval.

(e) MCA-Vanuatu is entitled to demand the replacement of any staff member or subcontractor assigned to perform the Agency Services provided under this Agreement if MCA-Vanuatu reasonably believes that such staff member or subcontractor is not suitable to perform the Agency Services because of health, language ability, professional qualifications, or for any other reasonable cause. The Fiscal Agent shall ensure that in no event shall the process of replacing a staff member or subcontractor delay, interrupt, or materially alter in any way the performance of the Agency Services.

Section 1.6 Compliance. The Fiscal Agent shall comply with (a) applicable Vanuatu laws, and (b) this Agreement, the relevant provisions of the Compact, the Disbursement Agreement, the Bank Agreement, such other agreements the Parties may agree from time to time, the Fiscal Accountability Plan, and the Procurement Plan, which agreements and documents (including any amendments thereto) shall be delivered by MCA-Vanuatu to the Fiscal Agent.

Section 1.7 Bank Agreement; Bank Matters.

(a) The Fiscal Agent shall execute a certain Bank Agreement, by and among MCA-Vanuatu, the Bank and the Fiscal Agent. The Fiscal Agent shall comply with the provisions of the Bank Agreement and with any other documentation with respect to a Permitted Account.

(b) The Fiscal Agent shall assist MCA-Vanuatu in the establishment of the Permitted Accounts, in accordance with the terms of the Bank Agreement. The Fiscal Agent shall not assist MCA-Vanuatu in the establishment of any other accounts except with the express prior written consent of MCC.

(c) The Fiscal Agent shall promptly request and authorize the Bank to (i) refund on a quarterly basis all Accrued Interest to an account designated by MCC, and (ii) upon the written request of MCC, refund to an account designated by MCC any amounts of MCC Funding and Accrued Interest. The Fiscal Agent shall take all actions that are necessary or appropriate to ensure such refunds.

Section 1.8 Taxes. The Fiscal Agent shall track all tax exemptions, Taxes assessed and paid, and reimbursements of VAT (and any other Taxes) by the Government as required under Section 2.3(e) of the Compact in order to (a) monitor full compliance with Section 2.3(e) of the Compact, and (b) determine whether such Tax exemptions are being fully and fairly implemented and administered, and whether any Tax assessed and paid contrary to Section 2.3(e) of the Compact is being promptly and fully refunded in accordance with Section 2.3(e)(iii) of the Compact. The Fiscal Agent shall immediately notify MCA-Vanuatu, with a copy to MCC, of any failure by the Government to timely administer such Tax exemptions or promptly reimburse such Taxes. A Tax reimbursement shall not be deemed “promptly reimbursed” if such reimbursement is not paid within thirty (30) days after the date of the reimbursement request by the Fiscal Agent.

Section 1.9 Audits; Reviews and Reports.

(a) The Fiscal Agent shall comply with the requirements of Sections 3.8(a), (b), (c), (d)(ii), (iii), (v), (vi) and (viii) of the Compact, and such provisions are hereby incorporated by reference herein *mutatis mutandis*. The Fiscal Agent shall ensure the inclusion of such comparable requirements in the Fiscal Agent's contracts and agreements with subcontractors and other service providers in connection with this Agreement.

(b) The Fiscal Agent shall furnish to MCA-Vanuatu any Compact Records relating to the Agency Services, certified as true and correct by the Fiscal Agent, required to be delivered to or by MCA-Vanuatu in the Compact or other Supplemental Agreements.

(c) The Fiscal Agent shall provide MCA-Vanuatu with assistance as necessary in the development of the Audit Plan. MCA-Vanuatu shall provide to the Fiscal Agent a copy of any final Audit Plan as duly adopted by MCA-Vanuatu (and as approved by MCC). The Fiscal Agent shall comply with the terms of the Audit Plan (including the reporting standards required therein) and, upon request by MCA-Vanuatu or MCC, the Fiscal Agent shall take appropriate, effective, and timely corrective actions in response to any audit findings.

(d) MCA-Vanuatu and MCC shall have the right to use any information contained in any report or document delivered to or otherwise made available by the Fiscal Agent to MCC or MCA-Vanuatu.

Section 1.10 Conflicts of Interest. The Fiscal Agent shall ensure that no employee, director, officer, subcontractor, agent or representative of the Fiscal Agent shall participate in the selection, award, or administration of a contract, grant or other benefit or transaction financed in whole or in part (directly or indirectly) by MCC Funding in which (i) the entity, the person, members of the person's immediate family or household or his or her business partners, or organizations controlled by or substantially involving such person or entity, has or have a financial interest, or (ii) the person is negotiating or has any arrangement concerning prospective employment, unless such person or entity has first disclosed in writing to MCA-Vanuatu and MCC the conflict of interest and, following such disclosure, MCA-Vanuatu and MCC have agreed in writing to proceed notwithstanding such conflict. The Fiscal Agent's directors, officers, employees, subcontractors, agents and representatives shall not, and the Fiscal Agent shall ensure that no person or entity involved in the selection, award, administration or implementation of any contract, grant or other benefit or transaction financed in whole or in part (directly or indirectly) by MCC Funding shall, solicit or accept or offer a third party or seek or be promised directly or indirectly for itself or for another person or entity any gift, gratuity, favor or benefit, other than items of *de minimis* value and otherwise consistent with such guidance as MCC may provide from time to time. None of the Fiscal Agent's officers, directors, employees, agents or representatives active in the Program shall engage in any activity which is, or gives the appearance of being, a conflict of interest.

Section 1.11 Re-Disbursements; Currency Exchange.

(a) MCA-Vanuatu hereby authorizes the Fiscal Agent to make Re-Disbursements from the Permitted Accounts to vendors or individuals in satisfaction of obligations incurred as

part of the Program, upon MCA-Vanuatu's prior written approval of the same on the basis of proper evidence and documentation and otherwise in accordance with this Agreement, the Compact, the Disbursement Agreement, other relevant Supplemental Agreements, and the Fiscal Accountability Plan. Such Re-Disbursements shall include payments due to the Fiscal Agent under Section 2.2 below, *provided that* the Fiscal Agent submits proper funding requests to MCA-Vanuatu consistent with Section 2.2.

(b) The Fiscal Agent shall direct the Bank to transfer, as appropriate, the necessary amount of funds from the Special Account (as defined in the Bank Agreement), or from another US Dollar-denominated Permitted Account, if any, approved by MCC and MCA-Vanuatu, to the Local Account in order to settle payments to vendors and individuals in Vatu, if such payments are in accordance with the contractual terms agreed with such vendor and following MCA-Vanuatu's prior written approval of such payments.

(c) The Fiscal Agent may make payments with the Government's own funds and from its own accounts to settle valid and authorized obligations of MCA-Vanuatu. In that event, the Fiscal Agent may make Re-Disbursements from the Permitted Accounts to reimburse its own funds, upon MCA-Vanuatu's prior written approval on the same basis of proper evidence and documentation as for all Re-Disbursements and otherwise in accordance with this Agreement.

ARTICLE II. FISCAL AGENT GENERALLY

Section 2.1 Standard of Care. The Fiscal Agent shall exercise all skill, reasonable care and diligence in the discharge of its duties and obligations under this Agreement, as would be expected from a skilled and experienced Fiscal Agent. The Fiscal Agent shall carry out all Agency Services in a timely and cost-effective manner and in conformity with professionally sound technical, financial and management practices requisite for successful provision of the Agency Services, and in accordance with internationally accepted accounting and financial management principles and practices.

Section 2.2 Expenses. As set forth in further detail in Exhibit C, MCA-Vanuatu shall fund the expenses and the actual costs of the Fiscal Agent directly associated with the delivery of the Agency Services based upon an annual funding request; *provided*, that in no event shall the aggregate cost during the term of this Agreement exceed five hundred ten thousand U.S. Dollars (USD\$510,000), unless otherwise agreed by MCA-Vanuatu and MCC in writing. MCA-Vanuatu shall be responsible for acquiring and funding the services (other than the Agency Services), works and goods necessary for the Fiscal Agent to provide the Agency Services and consistent with the Detailed Financial Plan. MCA-Vanuatu shall enter into all relevant contracts with providers of such goods, works and services, unless otherwise agreed by the Parties; *provided*, the Fiscal Agent shall specify with sufficient advance notice the services and goods that it will require to deliver the Agency Services by proposing changes to the Detailed Financial Plan, and if such changes are agreed by MCA-Vanuatu in writing, MCA-Vanuatu shall acquire and fund such services and goods. Notwithstanding anything to the contrary in this Agreement, no payment shall be made to the Fiscal Agent in violation of Section 2.3 of the Compact.

Section 2.3 Other Duties, Rights and Protections of the Fiscal Agent.

(a) The Fiscal Agent shall provide the Agency Services to MCA-Vanuatu with the expectation that the following requirements are met:

- (i) cooperation of MCA-Vanuatu's employees, representatives and/or advisors with the Fiscal Agent;
- (ii) timely provision by MCA-Vanuatu of any and all information (such information shall be, to the knowledge of MCA-Vanuatu, true and accurate in all material respects), including documentation and comprehensive explanations, reasonably requested by the Fiscal Agent in connection with the Agency Services; and
- (iii) MCA-Vanuatu timely making and implementing decisions, obtaining required approvals and issuing required documentation to enable the Fiscal Agent to proceed with the Agency Services; provided that the Fiscal Agent provides MCA-Vanuatu with reasonable advance notice of decisions required.

(b) If at any time the Fiscal Agent is served with any judicial or administrative order, judgment, decree, writ or other form of judicial or administrative process (an "**Action**") that in any way affects this Agreement or the transactions contemplated herein, the Fiscal Agent shall give notice and a copy of such Action to MCC and MCA-Vanuatu.

(c) To the extent that any amounts hereunder are duly owed and outstanding to the Fiscal Agent, MCA-Vanuatu shall be solely liable to pay those amounts subject to Section 5.8 of the Compact. For the avoidance of doubt, MCC shall have no responsibility or obligation to the Fiscal Agent for the payment of any fees, costs, indemnification expenses or any other expenses pursuant to this Agreement or otherwise.

(d) In the event of any ambiguity or uncertainty hereunder or in any notice, instruction or other communication received by the Fiscal Agent hereunder, the Fiscal Agent shall promptly notify MCA-Vanuatu (or the party that provided such notice, instruction or other communication) of such ambiguity or uncertainty and refrain from taking any action unless and until the Fiscal Agent receives from MCA-Vanuatu (or from the party that provided the original instruction) an instruction that eliminates such ambiguity or uncertainty. Except as otherwise provided herein, the Fiscal Agent shall not be or become liable to MCA-Vanuatu for the failure of the Fiscal Agent to comply with ambiguous, uncertain, conflicting or contrary demands of any such person.

Section 2.4 Monitoring of Permitted Accounts. The Fiscal Agent shall ensure it and that the Permitted Accounts comply with all applicable United States Money Laundering and Terrorist Financing statutes, and other U.S. sanctions laws and regulations, including, 18 U.S.C. Section 1956, 18 U.S.C. Section 1957, 18 U.S.C. Section 2339A, 18 U.S.C. Section 2339B, 18 U.S.C. Section 2339C, 18 U.S.C. Section 981, 18 U.S.C. Section 982, and Executive Order 13224 Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism, all applicable U.S. laws and regulations regarding restrictive trade practices or boycotts, including 15 C.F.R. Part 760, and all other economic sanctions promulgated from time to time by means of Statute, Executive Order, or Regulation and as

administered by the Office of Foreign Assets Control of the United States Treasury Department or any successor governmental authority, including those economic sanctions programs enumerated at 31 C.F.R. Parts 500 through 598. The Fiscal Agent shall ensure that no payments have been or will be received by any official of the Fiscal Agent, MCA-Vanuatu or any other Government official in connection with this Agreement and no payments have been made by the Fiscal Agent or any other party to any third party, in connection with this Agreement, in violation of the United States Foreign Corrupt Practices Act of 1977, as amended (15 U.S.C. 78a et seq.).

ARTICLE III. TERM; SUSPENSION; TERMINATION

Section 3.1 Term. This Agreement shall be effective as of the Effective Date and end one hundred twenty (120) days after the expiration or termination the Compact Term (the “*Term*”), unless terminated earlier in accordance with Section 3.3; *provided however*, that no new obligations shall be incurred after the termination or expiration of the Compact other than in connection with the winding-down of the Program and *provided, further*, that invoices shall not be accepted for payment by the Fiscal Agent if received later than ninety (90) days after the expiration or termination of the Compact Term.

Section 3.2 Suspension.

(a) MCA-Vanuatu (with the prior written approval of MCC) may suspend this Agreement, in whole or in part, upon delivery of written notice to the Fiscal Agent setting forth the reasons for such suspension; *provided that*, the failure to set forth such reasons shall not impair the effectiveness of such suspension.

(b) MCC may suspend this Agreement, in whole or in part, upon delivery of written notice to the Fiscal Agent and MCA-Vanuatu setting forth the reasons for such suspension, *provided that*, the failure to set forth such reasons shall not impair the effectiveness of such suspension.

(c) Upon receipt of a notice of suspension pursuant to this Section 3.2, the Fiscal Agent shall suspend all activity in respect of the Permitted Accounts, and such activity shall remain suspended until the suspension is lifted by written instruction from the party that initiated such suspension.

Section 3.3 Termination of the Agreement.

(a) If MCA-Vanuatu materially defaults in the observance or performance of any of its material obligations under this Agreement and such default remains uncured thirty (30) days after written notice of such default is delivered by the Fiscal Agent to MCA-Vanuatu, then following the expiration of such thirty (30) day period, the Fiscal Agent may terminate this Agreement by ninety (90) days’ prior written notice to MCA-Vanuatu and MCC; *provided, however*, such termination shall not be effective until satisfaction of Sections 3.3(c) and (d).

(b) MCA-Vanuatu (with the prior written approval of MCC) or MCC may terminate this Agreement, at any time (i) with cause by giving written notice to the Fiscal Agent or (ii) without cause by giving written notice to the Fiscal Agent sixty (60) days prior to the effective date of such termination, with such notice stating that the termination is without cause and may set forth reasons for such termination, as appropriate, *provided, however*, that the failure to set forth such reasons shall not impair the effectiveness of such termination; *provided, further*, any termination under this Section 3.3(b) shall not be effective until satisfaction of Sections 3.3(c) and (d).

(c) Following the delivery of a termination notice pursuant to Section 3.3(a) or (b), MCA-Vanuatu shall appoint, with the prior written approval of MCC, a successor fiscal agent (the “**Successor Fiscal Agent**”). Upon an entity’s acceptance of such appointment as a Successor Fiscal Agent, MCA-Vanuatu shall provide written notice thereof to the resigning Fiscal Agent and to the Bank.

(d) MCA-Vanuatu shall cause the Successor Fiscal Agent to execute (i) a new fiscal agent agreement (the “**Successor Fiscal Agent Agreement**”), the form and substance of which shall be approved by MCC, and (ii) an assignment and assumption agreement with regard to all of the Fiscal Agent’s obligations under the Bank Agreement (“**Bank Assignment and Assumption Agreement**”), which Bank Assignment and Assumption Agreement shall (1) be executed by the Fiscal Agent (if so requested by MCA-Vanuatu) and (2) be in form and substance acceptable to MCC. Immediately upon execution of both the Successor Fiscal Agent Agreement and the Bank Assignment and Assumption Agreement, this Agreement shall terminate.

(e) Upon any early termination of this Agreement, the Fiscal Agent shall ensure the orderly and timely transfer of all records, documents, data and information (together with all electronic copies thereof) to MCA-Vanuatu or to the Successor Fiscal Agent, and the Fiscal Agent shall take any other actions reasonably requested by MCA-Vanuatu to ensure the proper transition of any Agency Services, if applicable.

Section 3.4 Survival. Notwithstanding any expiration, suspension or termination of this Agreement, the following provisions of this Agreement shall survive: Sections 1.4, 1.8, 1.11, 2.2, 3.4, 4.2, 4.4, 4.5, 4.7, and 4.15.

ARTICLE IV. MISCELLANEOUS

Section 4.1 Representations and Warranties of the Fiscal Agent. The Fiscal Agent hereby represents and warrants to MCA-Vanuatu that, as of the Effective Date:

(a) this Agreement constitutes a valid and legally binding obligation of the Fiscal Agent, enforceable against it in accordance with its terms; and

(b) no consents or approvals of any person other than the approval of the Director-General of the Ministry is required in connection with the execution and delivery of this Agreement or the performance by it of its obligations under this Agreement.

Section 4.2 Confidentiality. All documents, reports, cost estimates, technical data and information concerning the Program that are not otherwise publicly available shall be treated by the Parties confidentially in a reasonable and appropriate manner and in accordance with applicable professional standards, provided, however, all such documents, reports, cost estimates, technical data and other information shall be provided to MCC and may be provided by MCC to any employees, contractors, agents, representatives of MCC, the Inspector General, the General Accountability Office, or others designated by MCC; provided, further, that each of MCC and MCA-Vanuatu may post on its respective website or otherwise make publicly available certain information, including quarterly financial reports. The Fiscal Agent shall ensure that only those with a need to know and under similar obligations of confidentiality shall have access to any and all information, documents, cost estimates data and information provided to the Fiscal Agent or otherwise generated in connection with this Agreement and the Program.

Section 4.3 Prohibition on Set-Off. The Fiscal Agent waives any and all rights of set-off, combination of accounts or counterclaim or any other right whatsoever it may have or hereafter acquire to apply amounts outstanding hereunder in discharge or satisfaction of any cost, right of reimbursement, expense, loss or other liability of the Fiscal Agent and all such rights are hereby released by the Fiscal Agent. All payments made by the Fiscal Agent under this Agreement shall be made without any deduction, withholding, set-off or counterclaim of any kind.

Section 4.4 Communications. Any notice, certificate, request, report, approval, document or other communication required, permitted, or submitted by either Party to the other (or MCC, as applicable) under this Agreement shall be (a) in writing, (b) in English, and (c) deemed duly given: (i) upon personal delivery to the Party (or MCC, as applicable) to be notified; (ii) when sent by confirmed facsimile or electronic mail, if sent during normal business hours of the recipient Party (or MCC, as applicable), 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 MCC, as applicable) to be notified at the address indicated below, or at such other address as such Party (or MCC, as applicable) may designate by notice to the other Party (and MCC):

To the Fiscal Agent:

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

With a copy to:

Ministry of Finance and Economic Management of the Republic of Vanuatu
Attention: Director-General of the Ministry of Finance and Economic Management
PMB 9058
Port Vila, Republic of Vanuatu

Tel: (678) 23032
Fax: (678) 27937
Email: [@vanuatu.gov](mailto: @vanuatu.gov).

To MCA-Vanuatu:

Attention: Director-General of the Office of the Prime Minister, who shall serve 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](mailto: mcachair@vanuatu.gov.vu)

With a copy to:

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

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](mailto: lvuti@vanuatu.gov.vu)

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
Email: [@mcc](mailto: @mcc). (Vice President of Operations); [@mcc](mailto: @mcc). (Vice President and General Counsel)

With a copy to:

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

Whenever under the terms hereof the time for giving a notice or performing an act falls on a day that is not a business day, such time shall be extended to the next day that is a business day.

Section 4.5 Assignment. This Agreement shall be binding on and shall inure to the benefit of the Parties and their respective successors and permitted assignees. A Party may not assign, delegate, subcontract or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the other Party and MCC, and with the prospective assignee executing an assignment and assumption agreement prior to such transfer, signed by the Parties and approved in writing by MCC, under which such assigning Party assigns to such assignee all of its right, title and interest to this Agreement and such assignee assumes all such rights and obligations of such Party then existing under this Agreement. Notwithstanding the forgoing, MCA-Vanuatu may assign any claims under this Agreement to MCC, which assignment shall be effective upon receipt by the Fiscal Agent of written notice of the assignment duly signed by MCA-Vanuatu and MCC.

Section 4.6 Representatives. Unless otherwise agreed by the Parties, for all purposes relevant to this Agreement, 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 the Chair of the MCA-Vanuatu Steering Committee (the “*MCA-Vanuatu Principal Representative*”); and the Fiscal Agent shall be represented by the individual holding the position of, or acting as, its Director of Finance of the Ministry (the “*Fiscal Agent Principal Representative*” and together with the MCA-Vanuatu 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 each Party’s Principal Representative and its respective Additional Representatives shall be provided, with specimen signatures, to the other Party, and each Party may accept as duly authorized any instrument signed by such Principal Representative or Additional Representative relating to the implementation of this Agreement, until receipt of written notice of revocation of their authority. A Party may replace its Principal Representative with a new representative upon written notice to the other Party, which notice shall include the specimen signature of the new Principal Representative.

Section 4.7 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of Vanuatu.

Section 4.8 Ownership of Documents. The copyright in all reports and related data and documents such as maps, diagrams, plans, statistics and supporting material prepared by the Fiscal Agent, or made available by the Fiscal Agent to MCA-Vanuatu, under this Agreement shall pass to MCA-Vanuatu, unless otherwise specified by MCA-Vanuatu in writing to the Fiscal Agent. The Fiscal Agent shall retain all right, title, copyright and interest in and to all methodologies, processes, techniques, ideas, concepts, trade secrets and know-how embodied in the reports and related data and documents delivered to MCA-Vanuatu, or that the Fiscal Agent may develop or supply in connection with this Agreement.

Section 4.9 Amendment; Waiver. The Parties may amend this Agreement by entering into a written amendment to this Agreement signed by the Principal Representatives of the Parties; any such amendment shall be subject to the prior written approval of MCC. 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 waiver on such Party's part of any provisions or conditions of this Agreement must be in writing and shall be effective only to the extent specifically set forth in such writing.

Section 4.10 Non-waiver of Remedies. 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, 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. All remedies, either under this Agreement, by law, or otherwise afforded to any Party, shall be cumulative and not alternative.

Section 4.11 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 4.12 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 4.13 MCC as Third Party Beneficiary; Reserved Rights.

(a) This Agreement is for the exclusive benefit of the Parties and their respective permitted successors hereunder, and shall not be deemed to give, either express or implied, any legal or equitable right, remedy, or claim to any other entity or person whatsoever with the exception of MCC, which is hereby designated as third party beneficiary to this Agreement and shall have all of the rights reserved for it throughout this Agreement.

(b) The Parties further agree that (i) MCC shall have final approval rights to the terms and conditions of this Agreement, and any amendments hereto, and any documents in connection with or related to this Agreement and the activities contemplated hereunder; (ii) MCC, in reserving any or all of the approval rights, has acted solely as a funding entity to assure the proper use of United States Government funds, and any decision by MCC to exercise or refrain from exercising these approval rights shall be made as a funding entity in the course of funding the activity and shall not be construed as making MCC a party to this Agreement; (iii) MCC may, from time to time, exercise its approval rights, or discuss matters related to these rights with the Parties jointly or separately, without thereby incurring any responsibility or liability to the Parties jointly or separately; (iv) any approval (or failure to disapprove) by MCC shall not bar MCA-Vanuatu or MCC from asserting any right, or relieve the Fiscal Agent of any liability which the Fiscal Agent might otherwise have to MCA-Vanuatu or MCC (or MCC Indemnified Parties); and (v) MCC shall have the right, as set forth in this Agreement, to receive copies of reports and/or other documentation delivered to MCA-Vanuatu.

(c) For the benefit of MCC, the Fiscal Agent shall comply with all terms of this Agreement and shall comply with all of the obligations of the Fiscal Agent under the Bank Agreement.

(d) For the avoidance of doubt, MCC shall incur no obligations or liabilities under this Agreement, whether as a result of its third-party beneficiary status or otherwise. In no event shall anything in this Agreement be construed as submission by MCC to the courts of Vanuatu or of any other jurisdiction, or to any other body.

Section 4.14 Severability. If one or more provisions of this Agreement is 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 4.15 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 4.16 Counterparts; Signatures; English Language. This Agreement may be executed in one or more counterpart signatures, and each counterpart when so executed and delivered shall be an original instrument, but such counterparts together shall constitute a single agreement. The original version of this Agreement shall be executed in the English language. 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 4.3 shall be deemed an original signature, and the Parties hereby waive any objection to such signature or to the validity of the underlying agreement 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 4.17 Definitions. All capitalized terms used herein shall have the meaning given such terms in Exhibit D.

Section 4.18 Rules of Construction. The following rules of construction shall be followed when interpreting this Agreement:

- (a) words importing the singular also include the plural and vice versa;
- (b) references to natural persons or parties include firms or any other entity having legal capacity;
- (c) words importing one gender include the other gender;
- (d) the words "include," "including," and variants thereof mean "includes, but not limited to" and corresponding variant expressions;
- (e) except as otherwise set forth herein, all references contained herein to contracts, agreements, or other documents shall be deemed to mean such contracts, agreements or documents, as the same may be modified, supplemented, or amended from time-to-time;

(f) each reference to any applicable law shall be construed as a reference to such applicable law as it may have been, or may from time to time be, amended, replaced, extended or re-enacted and shall include any subordinate legislation, rule or regulation promulgated under any such applicable law and all protocols, codes, proclamations and ordinances issued or otherwise applicable under any such law;

(g) the terms “hereof”, “herein”, “hereto”, “hereunder” and words of similar or like import, refer to this entire Agreement and not any one particular Article, Section, Schedule, or other subdivision of this Agreement;

(h) any reference to “business days” shall mean any day other than a Saturday, Sunday, commercial banking holiday in Port Vila, Vanuatu or Washington, D.C., United States, or a federal holiday in Vanuatu or the United States, and any reference to “day” shall mean a calendar day; and

(i) any reference to “month”, “quarter” or “year” shall have the common meaning given such terms based on a calendar year beginning on January 1 and ending on December 31 and divided into four approximately equal quarters beginning on each January 1, April 1, July 1 and October 1 of each such respective calendar year.

[Signature Page to Follow]

IN WITNESS WHEREOF, the Department of Finance and MCA-Vanuatu, 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. By signing below, each of the parties acknowledge and certify that this Agreement is a valid and binding agreement and no other action, consent, approval, registration or filing with or any other action by any governmental authority is required in connection with the execution and effectiveness of this Agreement, in each case, as to such party.

**DEPARTMENT OF FINANCE
OF THE MINISTRY OF FINANCE AND
ECONOMIC MANAGEMENT**

By: _____

Name: Benjamin Shing
Title: Director, Department of Finance
of the Ministry of Finance and
Economic Management

Date: _____

MCA-VANUATU

By: _____

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

Date: _____

Exhibit A
Description of Services

In addition to the services set forth in the Agreement, the Fiscal Agent shall provide the following services in its capacity as the fiscal agent to MCA-Vanuatu as specified below:

1. Fund Management, Principles and Rules – General.

The specific elements of these Services shall be conducted by the Fiscal Agent in compliance with the Public Finance and Economic Management Act No. 6 of 1998 (the “Act”) and regulations promulgated thereunder (the “Finance Regulations”).

(a) Responsible agencies as it relates to fiscal matters.

(i) MCA-Vanuatu shall be principally responsible for Program implementation and shall be the primary authorizer of expenditures.

(ii) The Department of Finance, Budget Section, shall be responsible for including project activities and changes in the national budget.

(iii) The Department of Finance, Accounts Section, shall be responsible for documentation compliance. The Department of Finance, Accounts Section, will keep the original documents which support the obligations and payments.

(iv) The Department of Finance, Accounts Section, will be responsible for cash management and banking account management.

(v) The Department of Finance, Payments Section, shall be responsible for payments made in the form of a check.

(vi) The Department of Finance, Directorate, shall be responsible for payments made in the form of banking transfers.

2. Detailed Financial Plan

The Department of Finance, Budget Section, shall assist MCA-Vanuatu in developing Detailed Financial Plans for the Program. Detailed Financial Plans shall be prepared on a rolling quarterly basis for the upcoming twelve (12) months and on an annual basis thereafter through the Compact Term. The Fiscal Agent shall assist MCA-Vanuatu in preparing appropriate updates to the Detailed Financial Plans and the Multi-Year Financial Plan, as required under the Compact and the Disbursement Agreement.

3. Fiscal Accountability Plans

(a) The Fiscal Agent shall assist MCA-Vanuatu in developing a Fiscal Accountability Plan (“*FAP*”) based on the Interim Fiscal Accountability Plan. The FAP shall be completed and

submitted for approval by MCA-Vanuatu and MCC no later than the end of the second calendar quarter of the Compact Term or as specified by the Disbursement Agreement.

(b) Prior to the completion of the FAP and approval by MCC, the Fiscal Agent shall comply with the Interim Fiscal Accountability Plan as agreed by MCA-Vanuatu and MCC.

(c) The FAP shall serve as the procedures and policies of MCA-Vanuatu concerning financial and procurement management and shall be updated from time to time as required by the Compact, this Agreement, the Disbursement Agreement and as otherwise agreed by the Parties.

(d) The FAP shall include, but not be limited to, the following information and procedures:

(i) Designation of the authorized representatives of MCA-Vanuatu with the right to obligate funds provided by MCC in accordance with the Compact and as may be set forth in the applicable Supplemental Agreements and Compact related documents;

(ii) Designation of the authorized representatives of MCA-Vanuatu to certify receipt of goods or services and completion of works and to certify that payment is appropriate and in satisfaction of an obligation entered into in accordance with procedures established to govern the Program (including the Procurement Agreement);

(iii) Procedures and timeframes for recording commitments and obligations in accordance with this Agreement;

(iv) Procedures and timeframes for processing Re-Disbursements in accordance with this Agreement, including specification of the required supporting documentation for Disbursements and the time frame for retention of documentation;

(v) Procedures that assure maximum transparency, financial control, internal controls and separation of duties.

(vi) Procedures for receipt and recording of all deposits into any Permitted Account including MCC Disbursements as well as any payments required to be made by the Government under the Compact or any other Supplemental Agreement (including reimbursement of Taxes or reimbursements from insurance or other claims as specified below).

4. Monitoring of Interest

The Department of Finance, Accounts Section, shall monitor the accrual of interest and the Permitted Accounts and shall ensure that all interest on such Accounts is transferred to an Account designated by MCC in accordance with the Bank Agreement. The Department of Finance, Accounts Section, shall ensure all such accruals and transfers of interest are accurately reflected in the accounting system for MCA-Vanuatu.

5. MCC Disbursement and Re-Disbursements.

The Department of Finance shall:

- (a) Conduct continuous, regular and diligent review of the amount of funding (i) available in each Permitted Account and (ii) budgeted for Program and Project activities during the current and subsequent Disbursement Periods;
- (b) Provide on-line, read-only access to MCA-Vanuatu of accounting and budgetary information, including cash balances, related to the MCC Program;
- (c) Review (i) all requests for MCC Disbursements and Re-Disbursements (including ensuring that each Re-Disbursement is consistent with Section 2.3 of the Compact), (ii) any written approvals required by the Compact or any Supplemental Agreement, and (iii) any other supporting documentation required by this Agreement, the Compact, or any applicable Supplemental Agreement to determine if conditions to MCC Disbursement or Re-Disbursement have been satisfied;
- (d) Certify each MCC Disbursement Request by signing the MCC Disbursement Request and preparing, executing and delivering a Fiscal Agent Certificate (as defined in the Disbursement Agreement) and satisfy other requirements for the Fiscal Agent as specified in the Disbursement Agreement;
- (e) Certify each Re-Disbursement request by delivering to MCA-Vanuatu a certificate signed by an authorized representative of the Department of Finance dated as of the date of certification certifying that attached thereto is a true, accurate and complete copy of:
 - (i) the request for Re-Disbursement, in a form agreed to by the Parties; and
 - (ii) any necessary documentation supporting such request, including evidence of necessary approvals, which request and documentation shall be maintained on file, and at the request of MCA-Vanuatu or MCC, provided in a monthly report.
- (f) Approve those Re-Disbursement requests that are authentic, accurate and comply with the terms and conditions specified in the Compact and relevant Supplemental Agreements;
- (g) If a Re-Disbursement Request is approved, instruct the applicable Bank to pay a certified Re-Disbursement (i) to the Government's account(s) to reimburse Government funds used to settle valid and authorized obligations of MCA-Vanuatu or (ii) in the case that a Local Account is established, directly to the relevant Provider or other third party from the relevant Permitted Account, such payment to be made within thirty (30) days of the date of receipt of a valid invoice, provided MCA-Vanuatu has submitted the invoice and supporting documentation to the Department of Finance in due time;
- (h) If a Re-Disbursement request is non-conforming and rejected by the Department of Finance, promptly notify MCA-Vanuatu of the rejected request specifying the reason for its rejection, with a copy to MCC of such notice;

(i) Ensure that each request for an MCC Disbursement or Re-Disbursement is certified, approved or rejected, as applicable, within ten (10) days after such certification or approval is requested;

(j) Establish procedures and a system acceptable to MCA-Vanuatu and MCC to monitor the Department of Finance's certification, approval and payment records to determine (i) if invoices are being checked and, if approved, paid within 30 days and (ii) if MCC Disbursement Requests and Re-Disbursement Requests are being carefully reviewed and approved by the Department of Finance within the time specified in this Agreement or the applicable Supplemental Agreement; and

(k) Ensure that each Re-Disbursement complies with the approval thresholds set forth in the Governance Agreement or similar internal regulations of MCA-Vanuatu and with the following:

(i) Any Re-Disbursement, individually or in the aggregate to the same Provider, equal to or exceeding USD\$250,000 shall be subject to MCC approval;

(ii) Any Re-Disbursement, individually or in the aggregate to the same Provider, equal to or exceeding USD \$100,000 shall be subject to Steering Committee approval; and

(iii) Any Re-Disbursement, individually or in the aggregate to the same Provider, less than USD\$100,000, shall be subject to the Director's approval (or as the Director may re-delegate authority to issue such approval as permitted in accordance with the Governance Agreement or other similar internal regulations).

(l) The Department of Finance, Accounts Section, shall authorize payment and send the voucher to the Department of Finance, Payments Section, within three (3) days of receipt of clearance specified in paragraph (e) above.

(m) The Department of Finance, Payments Section, shall issue the payment within fifteen (15) days of the authorization specified in paragraph (f) above.

6. Accounting System.

The accounting system shall follow the principles, norms and procedures set-up in the Act and the Finance Regulations. The Fiscal Agent shall use the International Financial Reporting Standards ("*IFRS*") as the accounting standard for the Program.

7. Cash Flow Management.

(a) The Fiscal Agent shall prepare the quarterly cash flow projections and monthly warrants for submission to MCA-Vanuatu for approval.

(b) The Department of Finance, Accounts Section, will ensure banking reconciliation.

8. Deadline for Payment to Suppliers.

(a) The deadline for payments shall be no later than thirty (30) days from the invoice issue date.

(b) The financial management information system will provide periodic statements of expenses due for payment, sorted by date. A field capturing the invoice issue date will be established in the financial management information system and included in reports.

9. Opening and Management of Bank Accounts Transactions.

(a) MCA-Vanuatu will request in writing that the Director-General of the Ministry open the Special Account at the Reserve Bank of Vanuatu to manage MCC Funding. Such Special Account will be a special foreign currency account. The Fiscal Agent will take the appropriate steps to ensure that such Special Account is established and will identify the officials who shall be responsible for the transactions. The Fiscal Agent shall ensure that a minimum of two (2) officials shall authorize and be jointly responsible for all transactions.

(b) At the request of MCA-Vanuatu, with prior written consent of MCC, the Fiscal Agent may request that the Director-General of the Ministry open additional Permitted Accounts in accordance with the Compact, the Bank Agreement and the Disbursement Agreement. No other accounts other than the Permitted Accounts shall be opened for MCA-Vanuatu and MCC Funding shall only be held in a Permitted Account.

(c) The Fiscal Agent shall assure that funds provided by MCC are in no case commingled with any other funds from any source whatsoever; *provided, however*, in the event that the Government is required to make certain payments under the Compact or any other Supplemental Agreement (including reimbursement of Taxes or reimbursements from insurance or other claims as specified below) such funds may be deposited in the Permitted Accounts and such other deposits shall be accounted by the Fiscal Agent in accordance with accounting standards and reflected in any applicable MCC Disbursement Request.

(d) MCA-Vanuatu shall be responsible for preparing MCC Disbursement Requests. Once the funds are transferred to the Special Account, the transactions will be made by the Fiscal Agent at the request of MCA-Vanuatu.

10. Control System.

(a) The Detailed Financial Plan will be controlled at various levels:

- By Program
- By Project
- By Project Activity
- By subproject activity
- By functional classification
- By economic classification
- By financing entity

(b) Requests to commit funds or to expend funds not provided for in the Detailed Financial Plan will not be authorized.

(c) Cash advances will not be authorized for any purpose other than for the execution of the Program. Standing imprest accounts and special imprest accounts shall be authorized in accordance with the Financial Regulations and the Detailed Financial Plan.

(d) The execution of all projects and activities financed by MCC Funding may be monitored on a real time basis by MCC by submitting a request to the Fiscal Agent.

11. Audits.

(a) Internal audits will be conducted and ensured by the Internal Audit Unit within the Ministry. These audits will be conducted on accounts on a quarterly basis no later than thirty (30) days after the publication of the applicable quarterly report.

(b) External audits will initially be conducted every six (6) months, by external auditors in accordance with the Audit Plan.

(c) The frequency of internal and external audits may vary as agreed by MCA-Vanuatu and MCC in writing, *provided, however*, that external audits shall occur at least annually.

12. Reports.

(a) The Fiscal Agent shall assist MCA-Vanuatu with the preparation of the financial reports required by the Compact, this Agreement and the Disbursement Agreement, as well as, any financial reports requested by MCA-Vanuatu from time to time that can be reasonably generated through the Smart Stream automated financial system.

(b) All reports required for purposes of MCC Disbursement Requests shall be delivered to MCA-Vanuatu no later than thirty (30) days prior to the commencement of the applicable Disbursement Period as specified in the Disbursement Agreement.

(c) Reports on actual expenditures related to the Program shall be provided to MCA-Vanuatu and MCC no later than ten (10) days after the end of each calendar quarter.

(d) The reports will be written in English and will be posted on the MCA-Vanuatu Website.

13. MCA-Vanuatu Website.

The Fiscal Agent shall establish and maintain the MCA-Vanuatu Website, including posting all information, documents and reports within five (5) days of receipt of such information, documents and reports from MCA-Vanuatu, as required under the Compact, the Disbursement Agreement and the relevant Supplemental Agreements.

Exhibit B
Staffing and Subcontractor Plan

General Management and Professional Staff of the Fiscal Agent

The Fiscal Agent shall manage the Agency Services performed by its key personnel, provide the necessary technical support and, where necessary, provide replacement staff at short notice.

KEY PERSONNEL

A. Department of Finance Staff Designated to Provide Agency Services

<u>Name</u>	<u>Position</u>
Benjamin Shing	Director
Dorothy Ericson	Chief Accountant
Primrose Toro	Senior Accountant
Jack Loughman	Exchequer Services Manager

B. Additional Positions Scheduled Recruitment

1. Development Accountant.

The development accountant shall be responsible for managing the Program fund ledgers, updating the aid administration database with respect to Program Activities, reconciling all program ledger transactions to bank statements on a daily basis, and preparing reports and financial statements as requested by the Director of the Department of the Finance (including bi-monthly reports on the Program, acquittal statements, Program reports, annual returns and financial statements). The development accountant shall also be responsible for ensuring that all Program related monies/expenditures, invoices and purchase orders are in accordance with the Financial Regulations, the Fiscal Accountability Plan and the provisions of the Fiscal Agent Agreement as well as any other tasks allocated from time to time by the Director of Finance in relation to the Program.

2. Secondary Development Accountant.

The secondary development accountant shall assist the development accountant in performing the duties described above in paragraph B.1, assist the senior payments officer (Imprest/OP) to maintain efficient procedures for processing LPO vouchers for local and overseas payments and matching performance and productivity records for the Program related activities, perform receipting and AP matching of LPO's in consultation with the paymaster and for obtaining bank confirmation from the bank in relation to payments. The secondary development accountant shall also be responsible for responding to queries relating to the Program expenditures and

payments as well as any other tasks allocated from time to time by the Director of Finance in relation to the Program.

3. Website Developer.

The website developer shall assist the Department of Finance to select the most appropriate web project design, analyze, design and implement the Government web site in conjunction with the ISSU Application (Development) team according to the project design, and train staff throughout the implementation process. Additionally, the web developer will be responsible for uploading all documents, plans, agreements and information relating to the Program as directed by the Director of the Department of Finance and MCA-Vanuatu.

Exhibit C
Expenses

FISCAL AGENT									
	PAYROLL	TOTAL	2006	2007	2008	2009	2010	2011	
8AWC	MCA Development Accountant 1	51,558	5,362	10,724	10,724	10,724	10,724		3,300
8AWC	MCA Development Accountant 2	51,558	5,362	10,724	10,724	10,724	10,724		3,300
8AWC	Website Developer	51,558	5,362	10,724	10,724	10,724	10,724		3,300
8AAH	Housing allowances	24,038	2,500	5,000	5,000	5,000	5,000		1,538
8AAO	Other allowances (Cola)	6,811	708	1,417	1,417	1,417	1,417		436
8AAF	Family Allowance	4,808	500	1,000	1,000	1,000	1,000		308
8ASP	Provident Fund	13,303	1,384	2,767	2,767	2,767	2,767		851
PAYR	TOTAL PAYROLL	203,633	21,178	42,356	42,356	42,356	42,356		13,033
OVERHEAD									
8CFV	Vehicles Fuel	5,370	556	1,111	1,111	1,111	1,111		370
8CKT	Telephone / Fax - Communications	16,092	3,553	2,894	2,894	2,894	2,894		965
8COI	Other Incidentals	8,951	926	1,852	1,852	1,852	1,852		617
8EEA	Equipment - Additional	17,222	17,222	-	-	-	-		-
8EEC	Equipment - Computer	4,028	4,028	-	-	-	-		-
8EFO	Furniture - Office Furniture	6,000	6,000	-	-	-	-		-
8CKP	Postage-Communications	2,238	231	463	463	463	463		154
8CKS	Stationery	6,713	694	1,389	1,389	1,389	1,389		463
8CUE	Electric utilities	8,056	833	1,667	1,667	1,667	1,667		556
8CKL	Translation	185	185	-	-	-	-		-
8EBN	Buildings - Storage Facility	27,778	-	27,778	-	-	-		-
8CKT	Advertising	463	463	-	-	-	-		-
OVER	TOTAL OVERHEADS	103,095	34,692	37,153	9,375	9,375	9,375		3,125
SUB - TOTAL: FISCAL AGENT COST		306,728	55,870	79,509	51,731	51,731	51,731		16,158

Exhibit D
Definitions

“**Accrued Interest**” shall have the meaning set forth in Exhibit A of the Compact.

“**Action**” shall have the meaning set forth in Section 2.3(b).

“**Additional Representative**” shall have the meaning set forth in Section 4.6.

“**Affiliate**” shall have the meaning set forth in Exhibit A of the Compact.

“**Agency Services**” shall have the meaning set forth in Section 1.2.

“**Agreement**” shall have the meaning set forth in the Preamble to this Agreement.

“**Attachments**” shall have the meaning set forth in Section 4.13.

“**Audit Plan**” shall have the meaning set forth in Section 3.7(d)(iii) of the Compact.

“**Bank**” shall have the meaning set forth in the Preamble to the Bank Agreement.

“**Bank Agreement**” means that certain agreement by and among MCA-Vanuatu, the Fiscal Agent, and the Bank.

“**Bank Assignment and Assumption Agreement**” shall have the meaning set forth in Section 3.3(d).

“**Compact**” shall have the meaning set forth in the Recitals to this Agreement.

“**Compact Records**” shall have the meaning set forth in Exhibit A of the Compact.

“**Compact Term**” shall have the meaning set forth in Exhibit A of the Compact.

“**Detailed Financial Plan**” shall have the meaning set forth in Exhibit A of the Compact.

“**Disbursement Agreement**” means that certain agreement by and among MCC, the Ministry of Finance, on behalf of the Government of Vanuatu, and MCA-Vanuatu, dated as of April 28, 2006.

“**Disbursement Period**” shall have the meaning set forth in Section 1.1(a)(ii) of the Disbursement Agreement.

“**Effective Date**” shall have the meaning set forth in the Preamble to this Agreement.

“**Entry into Force**” shall have the meaning set forth in Exhibit A of the Compact.

“**Final Report**” shall have the meaning set forth in Exhibit A of this Agreement.

“**Fiscal Accountability Plan**” or “**FAP**” shall have the meaning set forth in Exhibit A of the Compact.

“**Fiscal Agent**” shall have the meaning set forth in the Preamble to this agreement.

“**Fiscal Agent Certificate**” shall have the meaning set forth in Section 3.1(g) of the Disbursement Agreement.

“**Fiscal Agent Losses**” shall have the meaning set forth in Section 2.4(b).

“**Fiscal Agent Principal Representative**” shall have the meaning set forth in Section 4.6.

“**Governance Agreement**” means that certain agreement by and among MCC, the Government, and MCA-Vanuatu..

“**Government**” shall have the meaning set forth in the Recitals to this Agreement.

“**Inspector General**” shall have the meaning set forth in Exhibit A of the Compact.

“**Local Account**” shall have the meaning set forth in Exhibit A of the Compact.

“**M&E Plan**” shall have the meaning set forth in Exhibit A of the Compact.

“**MCA-Vanuatu**” shall have the meaning set forth in the Preamble to this Agreement.

“**MCA-Vanuatu Losses**” shall have the meaning set forth in Section 2.4(a).

“**MCA-Vanuatu Principal Representative**” shall have the meaning set forth in Section 4.6.

“**MCC**” shall have the meaning set forth in the Recitals to this Agreement.

“**MCC Disbursement**” shall have the meaning set forth in Exhibit A of the Compact.

“**MCC Disbursement Request**” shall have the meaning set forth in Exhibit A of the Compact.

“**MCC Funding**” shall have the meaning set forth in Exhibit A of the Compact.

“**MCC Indemnified Parties**” shall have the meaning set forth in Exhibit A of the Compact.

“**MCA Losses**” shall have the meaning set forth in Section 2.4(a).

“**Multi-Year Financial Plan**” shall have the meaning set forth in Exhibit A of the Compact.

“**Party**” or “**Parties**” shall have the meaning set forth in the Preamble to this Agreement.

“**Permitted Account(s)**” shall have the meaning set forth in Exhibit A of the Compact.

“**Permitted Designees**” shall have the meaning set forth in Exhibit A of the Compact.

“Principal Representatives” shall have the meaning set forth in Section 4.6.

“Procurement Agreement” means that certain agreement by and among MCC, the Ministry of Finance, on behalf of the Government of Vanuatu, and MCA-Vanuatu, dated as of April 28, 2006.

“Program” shall have the meaning set forth in Exhibit A of the Compact.

“Provider” shall have the meaning set forth in Exhibit A of the Compact.

“Re-Disbursement” shall have the meaning set forth in Exhibit A of the Compact.

“Rules” shall have the meaning set forth in Section 4.8(a).

“Special Account” shall have the meaning set forth in Exhibit A of the Compact.

“Successor Fiscal Agent” shall have the meaning set forth in Section 3.3(c).

“Successor Fiscal Agent Agreement” shall have the meaning set forth in Section 3.3(d).

“Supplemental Agreement” shall have the meaning set forth in Exhibit A of the Compact.

“Term” shall have the meaning set forth in Section 3.1.