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LOAN NUMBER 3736-REG(COL)

LOAN AGREEMENT  
(Ordinary Operations [Concessional])

(Systems Strengthening for Effective Coverage of New Vaccines in the Pacific Project)

between

REPUBLIC OF VANUATU

and

ASIAN DEVELOPMENT BANK

DATED 28 FEBRUARY 2019

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REG 50282

**LOAN AGREEMENT**  
**(Ordinary Operations [Concessional])**

LOAN AGREEMENT dated 28 February 2019 between REPUBLIC OF VANUATU ("Borrower") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) the Borrower has applied to ADB for a loan and a grant for the purposes of the Project described in Schedule 1 to the Grant Agreement (as hereinafter defined);

(B) by a grant agreement of even date herewith ("Grant Agreement"), ADB has agreed to make the proceeds of a grant in the amount of nine million Dollars (\$9,000,000) available to the Borrower for the purposes of financing the Project; and

(C) ADB has agreed to make a concessional loan to the Borrower from ADB's ordinary capital resources upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Loan Regulations; Definitions**

Section 1.01. All provisions of ADB's Ordinary Operations (Concessional) Loan Regulations, dated 1 January 2017 ("Loan Regulations"), are hereby made applicable to this Loan Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Loan Agreement, the several terms defined in the Loan Regulations or the Grant Agreement have the respective meanings therein set forth unless modified herein or the context otherwise requires.

**ARTICLE II**

**The Loan**

Section 2.01. (a) ADB agrees to lend to the Borrower from ADB's ordinary capital resources an amount of two million two hundred fifty thousand Dollars (\$2,250,000).

(b) The Loan has a principal repayment period of 24 years, and a grace period as defined in subsection (c) hereinafter.

(c) The term "grace period" as used in subsection (b) hereinabove means the period prior to the first Principal Payment Date in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.02. The Borrower shall pay to ADB an interest charge at the rate of 1% per annum during the grace period, and 1.5% per annum thereafter, on the amount of the Loan withdrawn from the Loan Account and outstanding from time to time.

Section 2.03. The interest charge and any other charge on the Loan shall be payable semiannually on 15 April and 15 October in each year.

Section 2.04. The Borrower shall repay the principal amount of the Loan withdrawn from the Loan Account in accordance with the amortization schedule set forth in Schedule 1 to this Loan Agreement.

Section 2.05. The currency of repayment of the principal amount of the Loan and the currency of payment of the interest charge for the purposes of Sections 4.03(a) and 4.04 of the Loan Regulations shall be the Dollar.

### **ARTICLE III**

#### **Use of Proceeds of the Loan**

Section 3.01. The Borrower shall cause the proceeds of the Loan to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Loan Agreement.

Section 3.02. The proceeds of the Loan shall be allocated and withdrawn in accordance with the provisions of Schedule 2 to this Loan Agreement, as such Schedule may be amended from time to time by agreement between the Borrower and ADB.

Section 3.03. Except as ADB may otherwise agree, the Borrower shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Loan in accordance with the provisions of Schedule 3 to the Grant Agreement.

Section 3.04. Withdrawals from the Loan Account in respect of Goods shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement; and
- (b) Goods which meet such other eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Loan Closing Date for the purposes of Section 8.02 of the Loan Regulations shall be 31 May 2024 or such other date as may from time to time be agreed between the Borrower and ADB.

## **ARTICLE IV**

### **Particular Covenants**

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Borrower shall perform, or cause to be performed, all obligations set forth in Schedule 4 to the Grant Agreement.

Section 4.02. (a) The Borrower shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with financial reporting standards acceptable to ADB; (iii) have such financial statements audited annually by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB, in accordance with auditing standards acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report, which includes the auditors' opinion(s) on the financial statements and the use of the Loan proceeds, and a management letter (which sets out the deficiencies in the internal control of the Project that were identified in the course of the audit, if any); and (v) furnish to ADB, no later than 6 months after the end of each related fiscal year, copies of such audited financial statements, audit report and management letter, all in the English language, and such other information concerning these documents and the audit thereof as ADB shall from time to time reasonably request.

(b) ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 14 days of the date of ADB's confirmation of their acceptability by posting them on ADB's website.

(c) The Borrower shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Borrower's financial affairs where they relate to the Project with the auditors appointed pursuant to subsection (a)(iii) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB. This is provided that such discussions shall be conducted only in the presence of an authorized officer of the Borrower, unless the Borrower shall otherwise agree.

Section 4.03. The Borrower shall enable ADB's representatives to inspect the Project, the Goods and the Consulting Services, and any relevant records and documents.

## **ARTICLE V**

### **Suspension; Acceleration of Maturity**

Section 5.01. The following are specified as additional events for suspension of the right of the Borrower to make withdrawals from the Loan Account to fund the procurement of vaccines, the Increase to VII Credit Line, and Goods and Consulting Services associated with vaccines, for the purposes of Section 8.01(m) of the Loan Regulations:

- (a) by 31 December 2020, the VII Agreement has not been extended through at least the Project completion date; and
- (b) the VII Agreement has been terminated by UNICEF and other arrangements satisfactory to ADB have not been made.

Section 5.02. The following is specified as an additional event for suspension of the right of the Borrower to make withdrawals from the Loan Account for the purposes of Section 8.01(m) of the Loan Regulations: the Borrower shall have failed to perform any of its obligations under the Grant Agreement.

Section 5.03. The following is specified as an additional event for acceleration of maturity for the purposes of Section 8.07(d) of the Loan Regulations: the events specified in Sections 5.01 or 5.02 of this Loan Agreement shall have occurred.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Loan Agreement for the purposes of Section 9.01(f) of the Loan Regulations: the execution and delivery of the Grant Agreement on behalf of the Borrower shall have been duly authorized or ratified by all necessary governmental action.

Section 6.02. A date 90 days after the date of this Loan Agreement is specified for the effectiveness of this Loan Agreement for the purposes of Section 9.04 of the Loan Regulations.

## ARTICLE VII

### Miscellaneous

Section 7.01. The Minister for Finance and Economic Management of the Borrower is designated as representative of the Borrower for the purposes of Section 11.02 of the Loan Regulations.

Section 7.02. The following addresses are specified for the purposes of Section 11.01 of the Loan Regulations:

#### For the Borrower

Ministry of Finance and Economic Management  
PMB 9058  
Port Vila, Vanuatu

Facsimile Number:

+678 25533

#### For ADB

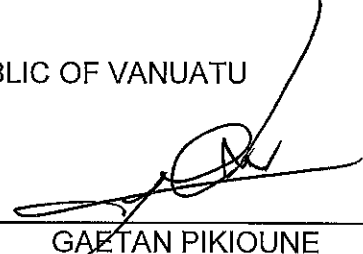
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

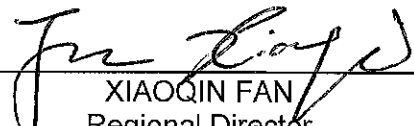
(632) 636-2444  
(632) 636-2443.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Loan Agreement to be signed in their respective names as of the day and year first above written and to be delivered at the principal office of ADB.



REPUBLIC OF VANUATU  
  
 GAETAN PIKIOUNE  
 Minister  
 Ministry of Finance and  
 Economic Management

ASIAN DEVELOPMENT BANK

By   
 XIAOQIN FAN  
 Regional Director  
 Pacific Liaison and Coordination Office

# SCHEDULE 1

## Amortization Schedule

<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)*
15 April 2027	46,875
15 October 2027	46,875
15 April 2028	46,875
15 October 2028	46,875
15 April 2029	46,875
15 October 2029	46,875
15 April 2030	46,875
15 October 2030	46,875
15 April 2031	46,875
15 October 2031	46,875
15 April 2032	46,875
15 October 2032	46,875
15 April 2033	46,875
15 October 2033	46,875
15 April 2034	46,875
15 October 2034	46,875
15 April 2035	46,875
15 October 2035	46,875
15 April 2036	46,875
15 October 2036	46,875
15 April 2037	46,875
15 October 2037	46,875
15 April 2038	46,875
15 October 2038	46,875
15 April 2039	46,875
15 October 2039	46,875
15 April 2040	46,875
15 October 2040	46,875
15 April 2041	46,875
15 October 2041	46,875
15 April 2042	46,875
15 October 2042	46,875
15 April 2043	46,875
15 October 2043	46,875
15 April 2044	46,875
15 October 2044	46,875
15 April 2045	46,875
15 October 2045	46,875
15 April 2046	46,875
15 October 2046	46,875
15 April 2047	46,875
15 October 2047	46,875
15 April 2048	46,875



<u>Payment Due</u>	<u>Payment of Principal</u> (expressed in USD)*
15 October 2048	46,875
15 April 2049	46,875
15 October 2049	46,875
15 April 2050	46,875
15 October 2050	<u>46,875</u>
<b>TOTAL</b>	<b>2,250,000</b>

\* The arrangements for payment are subject to the provisions of Sections 3.04 and 4.03 of the Loan Regulations.

## SCHEDULE 2

### Allocation and Withdrawal of Loan Proceeds

#### General

1. The table attached to this Schedule sets forth the Categories of items of expenditure to be financed out of the proceeds of the Loan and the allocation of the Loan proceeds to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category or Subcategory of the Table.)

#### Basis for Withdrawal from the Loan Account

2. Except as ADB may otherwise agree, the proceeds of the Loan shall be allocated to items of expenditure, and disbursed on the basis of the withdrawal percentage for each item of expenditure set forth in the Table.

#### Reallocation

3. Notwithstanding the allocation of Loan proceeds and the withdrawal percentages set forth in the Table,

- (a) if the amount of the Loan allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Borrower, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Loan which have been allocated to another Category but, in the opinion of ADB, are not needed to meet other expenditures, and (ii) if such reallocation cannot fully meet the estimated shortfall, reduce the withdrawal percentage applicable to such expenditures in order that further withdrawals under such Category may continue until all expenditures thereunder shall have been made; and
- (b) if the amount of the Loan allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Borrower, reallocate such excess amount to any other Category.

#### Disbursement Procedures

4. Except as ADB may otherwise agree, the Loan proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.

#### Condition for Withdrawals from Loan Account

5. Notwithstanding any other provision of this Loan Agreement, no withdrawals shall be made from the Loan Account to fund the procurement of vaccines until (a) the VII Agreement has been amended, if necessary, to permit procurement of the vaccines under the Project; and (b) the Additional Agreement has become effective.

TABLE

ALLOCATION AND WITHDRAWAL OF LOAN PROCEEDS				
Number	Item	Total Amount Allocated for ADB Financing (USD)		Basis for Withdrawal from the Loan Account
		Category	Subcategory	
1	Vaccines*	2,250,000		
1A	Year 2		2,150,000	100% of total expenditures claimed**
1B	Year 3		100,000	11.8% of total expenditures claimed**
	<b>TOTAL</b>	<b>2,250,000</b>		

\* Subject to the condition for withdrawal described in paragraph 5 of Schedule 2.

\*\* Exclusive of taxes and duties imposed within the territory of the Borrower.