
GRANT NUMBER 0387 - KIR (EF)

GRANT AGREEMENT
(Externally Financed)

(South Tarawa Sanitation Improvement Sector Project – Additional Financing)

between

REPUBLIC OF KIRIBATI

and

ASIAN DEVELOPMENT BANK

DATED 26 SEPTEMBER 2014

KIR 43072

GRANT AGREEMENT (Externally Financed)

GRANT AGREEMENT dated 26 September 2014 between REPUBLIC OF KIRIBATI ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 3 May 2012 herewith between the Recipient and ADB (Special Operations Loan Agreement), ADB has agreed to make a loan to the Recipient from ADB's Special Funds resources in various currencies equivalent to four million seven hundred thousand Special Drawing Rights (SDR 4,700,000) for the purposes of the Project described in Schedule 1 to the Special Operations Loan Agreement;

(B) by a grant agreement dated 3 May 2012 herewith between the Recipient and ADB (AusAID Grant Agreement (EF)), AusAID, through ADB, has agreed to make a grant to the Recipient in the amount of thirteen million nine hundred and fifty thousand Dollars (\$13,950,000) for the purposes of the Project described in Schedule 1 to the Special Operations Loan Agreement;

(C) the Recipient has requested ADB to apply for a grant on its behalf to the Multi-donor Trust Fund under the Water Financing Partnership Facility (MDTF), a trust fund administered by ADB, for the purposes of cofinancing expenditures relating to the onsite sanitation pilot (Pilot Subproject) under Part B and for strengthening MPWU's capacity under Part C of the Project;

(D) on 29 November 2012, the Steering Committee for the MDTF has approved the grant financing for the Pilot Subproject, the MDTF Grant (as defined below) provided for herein upon the terms and conditions set out in the Board paper on the establishment of the MDTF; and

(E) ADB has agreed to make the proceeds of the MDTF Grant available to the Recipient upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All provisions of the Externally Financed Grant Regulations of ADB, dated 8 April 2009 (Grant Regulations), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein.

Section 1.02. Wherever used in this Grant Agreement, the several terms defined in the Grant Regulations and in the Special Operations Loan Agreement have the respective meanings therein set forth as if they were fully set forth herein.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient a grant from the MDTF in the amount of six hundred ten thousand Dollars (\$610,000) (MDTF Grant).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to be applied to the financing of expenditures on the Pilot Subproject in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 1 to this Grant Agreement; as such Schedule may be amended from time to time by agreement between the Recipient and ADB.

Section 3.03. Except as ADB may otherwise agree, the Recipient shall procure, or cause to be procured, the items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Special Operations Loan Agreement.

Section 3.04. Withdrawals from the Grant Account in respect of Goods, Works and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods, Works and Consulting Services which meet eligibility requirements as shall have been specified by ADB from time to time.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2019 or such other date as may from time to time be agreed between the Recipient and ADB.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Project and operation of the Project facilities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 5 to the Special Operations Loan Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project

in accordance with accounting principles 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 international standards for auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the financial statements, use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement as well as on the use of the procedures for imprest funds) 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 30 days of the date of their receipt by posting them on ADB's website.

(c) The Recipient shall enable ADB, upon ADB's request, to discuss the financial statements for the Project and the Recipient'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 Recipient, unless the Recipient shall otherwise agree.

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

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for Multi-donor Trust Fund. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from Multi-donor Trust Fund, and (ii) that ADB does not assume any obligations or responsibilities of Multi-donor Trust Fund in respect of the Project or the Grant other than those set out in this Grant Agreement.

ARTICLE V

Suspension

Section 5.01. The following are specified as additional events for suspension of the right of the Recipient to make withdrawals from the Grant Account for the purposes of Section 8.01(k) of the Grant Regulations:

- (a) the Recipient shall have failed to perform any of its obligations under the Special Operations Loan Agreement;

- (b) the Loan shall have become liable for suspension or cancellation for any reason whatsoever; or
- (c) the Cofinancing Agreement shall have been suspended or cancelled.

ARTICLE VI

Effectiveness

Section 6.01. A date 90 days after the date of this Grant Agreement is specified for the effectiveness of this Grant Agreement for the purposes of Section 9.04 of the Grant Regulations.

ARTICLE VII

Miscellaneous

Section 7.01. The Minister of Finance and Economic Development of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

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

For the Recipient

Ministry of Finance and Economic Development
PO Box 67, Bairiki
Tarawa, Kiribati

Facsimile Number:

(686) 21307.

For ADB

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

Facsimile Numbers:


(632) 636-2444

(632) 636-2446.

IN WITNESS WHEREOF the parties hereto, acting through their representatives thereunto duly authorized, have caused this Grant 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 KIRIBATI

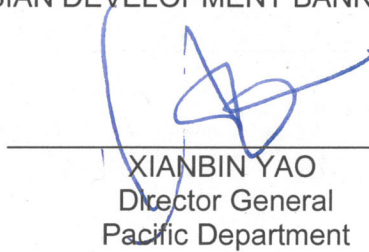
By



ANTHONY BAKER
Executive Director, ADB

ASIAN DEVELOPMENT BANK

By



XIANBIN YAO
Director General
Pacific Department

SCHEDULE 1

Allocation and Withdrawal of Grant 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 Grant and the allocation of the Grant 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 Grant Account

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

Reallocation

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

(a) if the amount of the Grant allocated to any Category appears to be insufficient to finance all agreed expenditures in that Category, ADB may, by notice to the Recipient, (i) reallocate to such Category, to the extent required to meet the estimated shortfall, amounts of the Grant 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 Grant allocated to any Category appears to exceed all agreed expenditures in that Category, ADB may, by notice to the Recipient; reallocate such excess amount to any other Category.

Disbursement Procedures

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

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (South Tarawa Sanitation Improvement Sector Project – Additional Financing)			
Number	Item	Total Amount Allocated for MDTF Grant Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	130,454	100% of total expenditures claimed*
2	Equipment	111,567	100% of total expenditures claimed*
3	Capacity Building	66,032	100% of total expenditures claimed*
4	Consulting Services	271,880	100% of total expenditures claimed*
6	Unallocated	30,067	
	Total	610,000	

* Exclusive of taxes and duties imposed within the territory of the Recipient.