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GRANT NUMBER 0263- KIR (EF)

GRANT AGREEMENT  
(Externally Financed)

(South Tarawa Sanitation Improvement Sector Project)

between

REPUBLIC OF KIRIBATI

and

ASIAN DEVELOPMENT BANK

DATED 3 May 2012

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KIR 43072

## **GRANT AGREEMENT (Externally Financed)**

GRANT AGREEMENT dated 3 May 2012 between the REPUBLIC OF KIRIBATI ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

### **WHEREAS**

(A) by a Loan Agreement of even date herewith between the Recipient and ADB ("Loan Agreement"), ADB has agreed to make to the Recipient a loan of four million seven hundred thousand Special Drawing Rights (SDR4,700,000) from ADB's Special Funds resources for the purposes of the Project described in Schedule 1 to the Loan Agreement;

(B) the Recipient has applied to the Government of Australia, represented by the Australian Agency for International Development ("AusAID"), for a grant for the purposes of the Project to be administered by ADB;

(C) by a Cofinancing Agreement dated 27 January 2012 between ADB and AusAID ("Cofinancing Agreement"), AusAID has agreed to provide a grant for the purpose of cofinancing the Project jointly with ADB, and ADB has agreed to administer the grant upon terms and conditions set forth in the Cofinancing Agreement; and

(D) ADB has agreed to make the proceeds of the 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 Funded Grant Regulations of ADB, dated 8 April 2009 (the "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, unless the context otherwise requires, the several terms defined in the Grant Regulations and in the 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, upon receipt from AusAID, an amount of thirteen million nine hundred and fifty thousand Dollars (\$13,950,000), subject to any deductions by ADB on account of (i) foreign exchange fluctuation where amount is received from AusAID in currency other than Dollar; and (ii) administration fee and other charges payable to ADB under the Cofinancing Agreement.

## **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 Project in accordance with the provisions of this Grant Agreement.

Section 3.02. The Goods, Works and Consulting Services and other items of expenditure to be financed out of the proceeds of the Grant and the allocation of amounts of the Grant among different categories of such Goods, Works and Consulting Services and other items of expenditure shall be 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, all Goods, Works and Consulting Services to be financed out of the proceeds of the Grant shall be procured in accordance with the provisions of Schedule 4 to the 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 which are produced in and supplied from and Works and Consulting Services which are supplied from such member countries of ADB as shall have been specified by ADB from time to time as eligible sources for procurement, and
- (b) Goods, Works and Consulting Services which meet such other 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 31 December 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 Loan Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, separate accounts for the Project; (ii) have such accounts and related financial statements audited annually, in accordance with appropriate auditing standards consistently applied, by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB; (iii) furnish to ADB, as soon as available but in any event not later than 6 months after the end of each related fiscal year, certified copies of such audited accounts and financial statements and the report of the auditors relating thereto (including the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement), all in the English language; and (iv) furnish to ADB such other information concerning such accounts and financial statements and the audit thereof as ADB shall from time to time reasonably request.

(b) The Recipient shall enable ADB, upon ADB's request, to discuss the Recipient's financial statements for the Project and its financial affairs related to the Project from time to time with the auditors appointed by the Recipient pursuant to subsection (a) hereinabove, and shall authorize and require any representative of such auditors to participate in any such discussions requested by ADB, provided that any such discussion 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 financed out of the proceeds of the Grant, and any relevant records and documents.

Section 4.04 The Recipient shall (a) ensure that the proceeds of the Grant are used for the purposes of the Project and not diverted for any other purpose; (b) promptly inform ADB if it becomes aware that the proceeds of the Grant are being or have been used for the purpose of any payment to a person or entity, or for import of goods, if such payment or import is prohibited by a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations; and (c) take necessary measures to ensure that entities to which the Recipient makes the proceeds of the Grant available comply with the provisions of this paragraph.

## **ARTICLE V**

### **Suspension and Cancellation**

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 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. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Loan Agreement shall have been duly authorized or ratified by, executed and delivered on behalf of, the Recipient, and all conditions precedent to its effectiveness, other than a condition requiring effectiveness of this Grant Agreement, shall have been fulfilled.

Section 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Loan Agreement has been duly authorized or ratified by, executed and delivered on behalf of, the Recipient, and is legally binding upon the Recipient in accordance with its terms.

Section 6.03. 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:

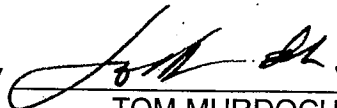
(632) 636-2444

(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



TOM MURDOCH

Minister of Finance and Economic  
Development

ASIAN DEVELOPMENT BANK

By



HARUHIKO KURODA

President

## 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.)

#### Percentages of ADB Financing

2. Except as ADB may otherwise agree, each item of expenditure shall be financed out of the proceeds of the Grant on the basis of the percentages 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, in consultation with 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, in consultation with 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.

#### Condition for Withdrawals from Grant Account

5. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account in respect of establishment of the sanitation maintenance fund under Part D of the Project until the Recipient has obtained approval of ADB to its detailed proposal for design, reporting and monitoring of the sanitation maintenance fund.

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (South Tarawa Sanitation Improvement Sector Project)				
CATEGORY				ADB FINANCING
Number	Item	Total Amount Allocated for Grant Financing \$		Percentage and Basis for Withdrawal from the Grant Account
		Category	Subcategory	
1	Works	3,190,000		
1A	Preliminary & General		610,000	31% of total expenditure claimed*
1B	Construction		2,575,000	52% of total expenditure claimed*
1C	Land acquisition consultations		5,000	100% of total expenditure claimed*
2	Equipment	2,060,000		
2A	Pipes, valves & manholes		880,000	38% of total expenditure claimed*
2B	Pumps		880,000	88% of total expenditure claimed*
2C	Plant & machinery		300,000	17% of total expenditure claimed*
3	Capacity Building	1,270,000		
3A	Community Awareness		1,010,000	100% of total expenditure claimed*
3B	Training		260,000	100% of total expenditure claimed*
4	Consulting Services	5,510,000		
4A	International Consultants		3,180,000	100% of total expenditure claimed*
4B	National Consultants		1,390,000	100% of total expenditure claimed*
4C	Consultant Support Costs		903,200	100% of total expenditure claimed*
4D	Vehicles		36,800	100% of total expenditure claimed*
5	Sanitation Maintenance**	1,300,000		90% of total expenditure claimed
6	Unallocated***	620,000		
	Total	13,950,000		

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

\*\* Requires ADB approval prior to disbursement under paragraph 5 of Schedule 1 to this Grant Agreement.

\*\*\* May be used towards foreign exchange fluctuations and any administration fee or other charges, such as audit costs and bank charges, payable to ADB pursuant to the Cofinancing Agreement.