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GRANT NUMBER 0937-TUV(SF)

GRANT AGREEMENT  
(Special Operations)

(Increasing Access to Renewable Energy Project – Additional Financing)

between

TUVALU

and

ASIAN DEVELOPMENT BANK

DATED 14 DECEMBER 2023

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TUV 49450

**GRANT AGREEMENT  
(Special Operations)**

GRANT AGREEMENT dated 14 December 2023 between TUVALU ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a grant agreement dated 6 November 2019 between the Recipient and ADB ("Initial Grant Agreement"), ADB provided a grant to the Recipient in the amount of six million Dollars (\$6,000,000) for the purposes of the Increasing Access to Renewable Energy Project as described in Schedule 1 to the Initial Grant Agreement ("Initial Project");

(B) the Recipient has applied to ADB for a grant for the purposes of financing cost overruns and additional activities to the Initial Project as described in Schedule 1 to this Grant Agreement;

(C) by a grant agreement of even date herewith between the Recipient and ADB ("GEF Grant Agreement"), ADB has agreed make available to the Recipient a grant, administered by ADB, from Global Environment Facility in the amount of three million Dollars (\$3,000,000) for the purposes of cofinancing the Project;

(D) by a grant agreement of even date herewith between the Recipient and ADB ("URTF Grant Agreement"), ADB has agreed make available to the Recipient a grant, administered by ADB, from the Urban Resilience Trust Fund Under the Urban Financing Partnership Facility in the amount of two million Dollars (\$2,000,000) for the purposes of cofinancing the Project;

(E) by a grant agreement of even date herewith between the Recipient and ADB ("ITF Grant Agreement"), ADB has agreed make available to the Recipient a grant, administered by ADB, from the Ireland Trust Fund for Building Climate Change and Disaster Resilience in Small Island Developing States in the amount of eight hundred thousand Dollars (\$800,000) for the purposes of cofinancing the Project;

(F) the Project will be carried out by the Recipient's Ministry of Finance and the Tuvalu Electricity Corporation ("TEC"), through and with oversight from the Recipient's Ministry of Transport, Energy and Tourism, and for this purpose the Recipient will make available to TEC the proceeds of the grant provided for herein upon terms and conditions satisfactory to ADB; and

(G) ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources upon the terms and conditions set forth herein and in the Project Agreement of even date herewith between ADB and TEC.

NOW THEREFORE the parties agree as follows:

**ARTICLE I****Grant Regulations; Definitions**

Section 1.01. All the provisions of ADB's Special Operations Grant Regulations, dated 1 January 2022 ("Grant Regulations"), are hereby made applicable to this Grant Agreement with the same force and effect as if they were fully set forth herein, subject, however, to the following modifications:

- (a) Section 2.01(m) is deleted and the following is substituted therefor:

"Project Agreement" means the project agreement of even date herewith between ADB and Tuvalu Electricity Corporation, as such agreement may be amended from time to time; and such project agreement includes all schedules to the Project Agreement;

- (b) The term "Project Executing Agency" appearing in Sections 6.01(a), 8.01(c), 8.01(e), 8.01(i), 9.01(b) and 9.02(b) of the Grant Regulations shall be substituted by the term "Tuvalu Electricity Corporation".

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

- (a) "BESS" means battery energy storage system;
- (b) "CEMP" means the Construction Environmental Management Plan of the relevant contractor as prepared in accordance with the IEE and EMP;
- (c) "Consulting Services" means consulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Grant;
- (d) "EMP" means the environmental management plan for the Project, including any update thereto, incorporated in the IEE;
- (e) "Environmental assessment report" means the document submitted to Department of Environment comply with the Environment Protection Act and regulations and includes the preliminary assessment report or environmental impact assessment;
- (f) "Environmental Safeguards" means the principles and requirements set forth in Chapter V, Appendix 1, and Appendix 4 (as applicable) of the SPS;
- (g) "GAP" means the gender action plan prepared for the Project, including any update thereto, and agreed to between the Recipient and ADB;

- (h) "GEF Grant Agreement" has the meaning given to that term in Recital C;
- (i) "Goods" means equipment and materials as set out in the Procurement Plan and to be financed out of the proceeds of the Grant, including any related Nonconsulting Services such as transportation, insurance, installation, commissioning, training, and initial maintenance;
- (j) "IEE" means the initial environmental examination for the Project, including any update thereto, prepared and submitted by the Recipient and cleared by ADB;
- (k) "ITF Grant Agreement" has the meaning given to that term in Recital E;
- (l) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2022, as amended from time to time);
- (m) "MOF" means the Recipient's Ministry of Finance, or any successor thereto;
- (n) "Nonconsulting Services" means nonconsulting services as described in the Procurement Regulations and set out in the Procurement Plan, and to be financed out of the proceeds of the Grant;
- (o) "O&M" means operation and maintenance;
- (p) "PAM" means the project administration manual for the Project dated 17 November 2023 and agreed between the Recipient and ADB, as updated from time to time in accordance with the respective administrative procedures of the Recipient and ADB;
- (q) "Procurement Plan" means the procurement plan for the Project dated 17 November 2023 and agreed between the Recipient and ADB, as updated from time to time in accordance with the Procurement Policy, the Procurement Regulations, and other arrangements agreed with ADB;
- (r) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (s) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers - Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (t) "Project Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means MOF, or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Project;

- (u) "Project Implementing Agency" means TEC, through and with the oversight of the Recipient's Ministry of Transport, Energy and Tourism;
- (v) "PUE" means productive uses of energy;
- (w) "PV" means photovoltaic;
- (x) "Safeguards Monitoring Report" means each report prepared and submitted by the Recipient to ADB that describes progress with implementation of and compliance with the EMP and the RP (as applicable), including any corrective and preventative actions;
- (y) "SBE" means sustainable blue economy;
- (z) "Services" means Consulting Services and Nonconsulting Services;
- (aa) "SPS" means ADB's Safeguard Policy Statement (2009);
- (bb) "Subsidiary Grant Agreement" means the subsidiary grant agreement referred to in Section 3.01 of each of this Grant Agreement, the GEF Grant Agreement, the URTF Grant Agreement and the ITF Grant Agreement; and
- (cc) "TEC" means Tuvalu Electricity Corporation;
- (dd) "URTF Grant Agreement" has the meaning given to that term in Recital D; and
- (ee) "Works" means construction or civil works as set out in the Procurement Plan and to be financed out of the proceeds of the Grant, including any related Nonconsulting Services, and project related services that are provided as part of a single responsibility or turnkey contract.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources an amount of two million Dollars (\$2,000,000).

### **ARTICLE III**

#### **Use of Proceeds of the Grant**

Section 3.01. The Recipient shall make the proceeds of the Grant available to the Project Implementing Agency under a Subsidiary Grant Agreement upon terms and conditions satisfactory to ADB, and shall cause the proceeds of the Grant to be applied exclusively to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of Schedule 2 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 3 to this Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2028 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 3 to this Grant Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project and Works, and any relevant records and documents.

Section 4.03. 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.

Section 4.04. The Recipient shall take all actions which shall be necessary on its part to enable the Project Implementing Agency to perform its obligations under the Project Agreement, and shall not take or permit any action which would interfere with the performance of such obligations.

Section 4.05. (a) The Recipient shall exercise its rights under the Subsidiary Grant Agreement in such a manner as to protect the interests of the Recipient and ADB and to accomplish the purposes of the Grant.

(b) No rights or obligations under the Subsidiary Grant Agreement shall be assigned, amended, or waived without the prior concurrence of ADB.

## **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 or TEC shall have failed to perform any of its obligations under the Subsidiary Grant Agreement; and
- (b) the Initial Grant shall have become liable for suspension or cancellation in accordance with the terms of the Initial Grant Agreement.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following are specified as additional conditions to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations:

- (a) the GEF Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement, the ITF Grant Agreement and the URTF Grant Agreement) shall have been fulfilled;
- (b) the ITF Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement, the GEF Grant Agreement and the URTF Grant Agreement) shall have been fulfilled;
- (c) the URTF Grant Agreement shall have been duly executed and delivered on behalf of the Recipient, and all conditions precedent to its effectiveness (other than a condition requiring the effectiveness of this Grant Agreement, the GEF Grant Agreement and the ITF Grant Agreement) shall have been fulfilled; and
- (d) TEC shall have provided provide its audited annual financial statements for its financial years ended 2019, 2020, 2021 and 2022 in each case

prepared in accordance with financing reporting standards acceptable to ADB and audited by independent auditors whose qualifications, experience and terms of reference are acceptable to ADB in accordance with auditing standards acceptable to ADB, which shall include auditors' opinion(s) on the financial statements and status of compliance with the financial covenants set out in the Initial Grant Agreement.

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

## **ARTICLE VII**

### **Termination**

Section 7.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on a date 25 years after the date of this Agreement.

## **ARTICLE VIII**

### **Miscellaneous**

Section 8.01. The Minister of Finance of the Recipient is designated as representative of the Recipient for the purposes of Section 11.02 of the Grant Regulations.

Section 8.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

#### For the Recipient

Ministry of Finance  
Private Mail Bag  
Vaiaku, Funafuti  
Tuvalu

Facsimile Number:

(688) 20210



For ADB

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

Facsimile Numbers:

(632) 8636-2444  
(632) 8636-2446.

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.

TUVALU

By   
RACHEL THOMPSON  
Authorized Representative

ASIAN DEVELOPMENT BANK

By   
LEAH GUTIERREZ  
Director General  
Pacific Department

**SCHEDULE 1****Description of the Project**

1. The objective of the Project expands upon the objective of the Initial Project and is to increase the generation and utilization of reliable, resilient, and climate-adapted clean energy from renewable energy in the territory of the Recipient.
2. The Project shall continue to comprise the activities set forth in Schedule 1 to the Initial Grant Agreement with the expanded scope set forth paragraphs 2(b) and 2(c) below:
  - (a) installation of PV systems on three outer islands: Nukulaelae, Nukufetau, and Nui;
  - (b) installation of floating solar PV, sustainable blue economy and productive use of energy, rooftop solar PV and BESS on Funafuti, including (i) at least an additional 500 kilowatt-peak of rooftop solar PV capacity; (ii) at least 1 MW and 2 megawatt-hour (MWh) of BESS commissioned and operational; (iii) associated modern control systems; (iv) at least 1.25 MWp of floating solar PV; (v) one electric boat for the operation and maintenance of the floating solar PV system, one electric boat to be used to transport schoolchildren from within Funafuti to the capital Fongafale, and two electric vehicles and one charging station; and (vi) coastal protection, disaster risk reduction measures, and electric reef regeneration including community awareness and capacity building with a focus on women's participation; and
  - (c) enhancement of institutional capacity for inclusive and climate-adapted renewable energy project development and implementation through project management support to the Project Implementing Agency.
3. The Project is expected to be completed by 31 December 2027.

**SCHEDULE 2****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 amounts of the Grant to each such Category ("Table"). (Reference to "Category" in this Schedule is to a Category of the Table.)

Basis for Withdrawal from the Grant Account

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

Retroactive Financing

5. Withdrawals from the Grant Account may be made to finance eligible expenditures incurred under the Project before the Effective Date, but not earlier than 12 months before the date of this Grant Agreement in connection with Works, Goods and Services, subject to a maximum amount equivalent to 20% of the Grant amount.

Conditions for Withdrawals from Grant Account

6. Notwithstanding any other provision of this Grant Agreement, no withdrawals shall be made from the Grant Account until:

- (a) the Subsidiary Grant Agreement, in form and substance satisfactory to ADB, shall have been duly executed and delivered on behalf of the Recipient and the Project Implementing Agency and shall have become legally binding upon each in accordance with its terms; and
- (b) TEC is adequately staffed, to ADB's satisfaction, with financial management and accounting specialists familiar with, and having a good working understanding of relevant policies and procedures of ADB with respect to financial management, accounting and reporting.

TABLE

<b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS</b>			
<b>Number</b>	<b>Item*</b>	<b>Total Amount Allocated for ADB Financing (\$)</b>	<b>Basis for Withdrawal from the Grant Account</b>
1	Turnkey (solar PV and BESS), consulting services, project management, and capacity development**	1,000,000	100% of total expenditure claimed*
2	Design-Build-Operate (floating PV, PUEs, SBEs, O&M)**	70,000	1.76% of total expenditure claimed*
3	Unallocated	930,000	
	<b>TOTAL</b>	<b>2,000,000</b>	

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

\*\* Subject to the condition for withdrawal as described in paragraph 6 of Schedule 2.

**SCHEDULE 3****Execution of Project; Financial Matters**Implementation Arrangements

1. The Recipient, the Project Executing Agency and the Project Implementing Agency shall ensure that the Project is implemented in accordance with the detailed arrangements set forth in the PAM. Any subsequent change to the PAM shall become effective only after approval of such change by the Recipient and ADB. In the event of any discrepancy between the PAM and this Grant Agreement, the provisions of this Grant Agreement shall prevail.

Procurement

2. The Recipient shall ensure, or cause the Project Implementing Agency to ensure, that:

- (a) the procurement of Goods, Works and Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods, Works and Services shall be procured based on the detailed arrangements set forth in the Procurement Plan, including the procurement and selection methods, the type of bidding documents, and ADB's review requirements. The Recipient may modify the detailed arrangements set forth in the Procurement Plan only with the prior agreement of ADB, and such modifications must be set out in updates to the Procurement Plan;
- (c) Goods, Works and Services may also be procured under the Project from non-member countries of ADB; and
- (d) (i) all Goods and Works procured and Services obtained (including all computer hardware, software and systems, whether separately procured or incorporated within other goods and services procured) do not violate or infringe any industrial property or intellectual property right or claim of any third party; and (ii) all contracts for the procurement of Goods, Works and Services contain appropriate representations, warranties and, if appropriate, indemnities from the contractor, supplier, consultant or service provider with respect to the matters referred to in this subparagraph.

Conditions for Award of Contract

3. The Recipient shall ensure, or cause the Project Implementing Agency to ensure, that no Works or Nonconsulting Services contract which involves environmental impacts is awarded until:

- (a) all necessary environmental clearances (development approval) have been obtained, and if necessary, the final approval of the environmental assessment report and/or IEE (as applicable) from the Recipient's Department of Environment has been granted; and
  - (b) the Project Implementing Agency has incorporated the relevant provisions from the EMP from the updated environmental assessment report and/or IEE (as applicable) into the Works contract.
4. The Recipient or Project Implementing Agency may award a Works or Nonconsulting Services contract involving environmental impacts with an IEE based on preliminary design having been submitted to and cleared by ADB if the contract:
- (a) is of a "design and build" or "turnkey" type under which the detailed design must be completed for the Works or Nonconsulting Services contract before the IEE is updated to reflect the final project design; and
  - (b) expressly provides that no works shall commence until an EMP and CEMP for the Works or Nonconsulting Services contract reflecting the final project design having been submitted to, and cleared by ADB.
5. The Recipient shall not award any Works contract until the Due Diligence Report on Land Acquisition for the Project has been updated with the required due diligence supporting documentation to the satisfaction of ADB, including the lease document(s) and related consent letters in connection with the land easement required to connect the floating solar PV system to the TEC power grid.

#### Environment

6. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that the preparation, design, construction, implementation, operation and decommissioning of the Project and all Project facilities comply with (a) all applicable laws and regulations of the Recipient relating to environment, health and safety; (b) the Environmental Safeguards; and (c) all measures and requirements set forth in the IEE, the EMP, environmental assessment report and any corrective or preventative actions set forth in a Safeguards Monitoring Report.

#### Involuntary Resettlement; Indigenous Peoples

7. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that the Project does not have any involuntary resettlement or indigenous peoples impacts, all within the meaning of SPS. In the event that the Project does have any such impact, the Recipient shall, through the Project Executing Agency and the Project Implementing Agency, take all steps required to ensure that the Project complies with the applicable laws and regulations of the Recipient and with SPS.

Human and Financial Resources to Implement Safeguards Requirements

8. The Recipient shall make available necessary budgetary and human resources to fully implement the IEE, environmental assessment report, EMP, updated as necessary.

Safeguards – Related Provisions in Bidding Documents and Works Contracts

9. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that all bidding documents and contracts for Works contain provisions that require contractors to:

- (a) comply with the measures relevant to the contractor set forth in the IEE and the EMP, environmental assessment report (updated as necessary) and any corrective or preventative actions set forth in a Safeguards Monitoring Report;
- (b) make available a budget and appropriate resourcing for all such environmental and social measures;
- (c) provide the Recipient with a written notice of any unanticipated environmental risks or impacts that arise during construction, implementation or operation of the Project that were not considered in the IEE and the EMP;
- (d) adequately record the condition of roads, agricultural land and other infrastructure prior to starting to transport materials and construction; and
- (e) reinstate pathways, other local infrastructure, and agricultural land to at least their pre-project condition upon the completion of construction.

Safeguards Monitoring and Reporting

10. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, do the following:

- (a) submit semi-annual Safeguards Monitoring Reports to ADB and disclose relevant information from such reports to affected persons promptly upon submission;
- (b) if any unanticipated environmental and/or social risks and impacts arise during construction, implementation or operation of the Project that were not considered in the IEE or environmental assessment report and the EMP, promptly inform ADB of the occurrence of such risks or impacts, with detailed description of the event and proposed corrective action plan; and



- (c) report any actual or potential breach of compliance with the measures and requirements set forth in the EMP and approved CEMP promptly after becoming aware of the breach.

#### Prohibited List of Investments

11. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that no proceeds of the Grant are used to finance any activity included in the list of prohibited investment activities provided in Appendix 5 of the SPS.

#### Labor Standards, Health and Safety

12. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that the core labor standards and the Recipient's applicable laws and regulations are complied with during Project implementation. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, include specific provisions in the bidding documents and contracts financed by ADB under the Project requiring that the contractors, among other things: (a) comply with the Recipient's applicable labor law and regulations and incorporate applicable workplace occupational safety norms; (b) do not use child labor; (c) do not discriminate workers in respect of employment and occupation; (d) do not use forced labor; (e) allow freedom of association and effectively recognize the right to collective bargaining; and (f) disseminate, or engage appropriate service providers to disseminate, information on the risks of sexually transmitted diseases, including HIV/AIDS, to the employees of contractors engaged under the Project and to members of the local communities surrounding the Project area, particularly women.

13. The Recipient, through the Project Executing Agency and the Project Implementing Agency, shall strictly monitor compliance with the requirements set forth in paragraph 12 above and provide ADB with regular reports.

#### Gender and Development

14. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that (a) the GAP is implemented in accordance with its terms; (b) the bidding documents and contracts include relevant provisions for contractors to comply with the measures set forth in the GAP; (c) adequate resources are allocated for implementation of the GAP; and (d) progress on implementation of the GAP, including progress toward achieving key gender outcome and output targets, are regularly monitored and reported to ADB.

#### Counterpart Support

15. The Recipient shall make available through budgetary allocations or other means all counterpart funds required for timely and effective implementation of the Project, including funds to mitigate unforeseen environmental, climate-change and social impacts, to insure assets against disasters, and to meet additional costs arising from design changes, price escalation in construction or installation costs or other unforeseen circumstances. The expenditures financed by the Grant shall be exclusive of taxes and duties within the territory of the Recipient. In addition to the foregoing, the Recipient shall ensure that the Project

Implementing Agency has sufficient funds to satisfy its liabilities arising from any Works, Goods and/or Services contract.

#### Tariff Adjustments

16. The Recipient will, and will cause TEC to, (a) make continuous efforts to increase tariffs progressively to achieve full cost recovery and in accordance with national tariff policies and regulations; (b) undertake a periodic gender-sensitive review of tariffs and fees including an assessment of their impact on the low-income households; and (c) initiate an implementation plan to achieve inclusive, gender-responsive cost-recovery tariffs.

17. During the process of adjusting tariffs, the Recipient will cause TEC to take into consideration (a) the minimum tariff level to cover basic operating costs, debt service and capital replacement; (b) users' affordability and willingness to pay data from available surveys; and (c) recent tariff escalations. The Recipient will cause TEC to include public consultation in their tariff setting processes.

#### Financial Covenants

18. The Recipient shall cause TEC to achieve, and thereafter maintain, the following financial ratios by 31 December 2025:

- (a) a current ratio of at least 1, where the term "current ratio" means the ratio of TEC's current assets to its current liabilities as of its balance sheet date; and
- (b) a cost recovery ratio of at least 1, where the term "cost recovery ratio" means TEC's total revenue including subsidy divided by TEC's total operating costs including depreciation.

19. The Recipient shall cause TEC to bring down its accounts receivables to a level of no more than 60 days by 31 December 2025.

20. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, ensure that (a) the Financial Management Action Plan (FMAP) as agreed with ADB and set out in the PAM is implemented in accordance with the timelines set for the therein, and (b) regular progress reports are provided to ADB on implementation of the FMAP.

#### Operation and Maintenance

21. The Recipient shall, through the Project Executing Agency and the Project Implementing Agency, develop and implement a program for regular and periodic maintenance of the facilities to be financed by the Project in accordance with international best practices acceptable to ADB, and shall make adequate resources available, through budgetary allocations or otherwise, for this purpose.

Governance and Anticorruption

22. The Recipient, the Project Executing Agency and the Project Implementing Agency shall (a) comply with ADB's Anticorruption Policy (1998, as amended to date) and Integrity Principles and Guidelines (2015, as amended from time to time); (b) acknowledge that ADB reserves the right to investigate directly, or through its agents, any alleged corrupt, fraudulent, collusive or coercive practice relating to the Project; and (c) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

23. The Recipient, the Project Executing Agency and the Project Implementing Agency shall ensure that the anticorruption provisions acceptable to ADB are included in all bidding documents and contracts, including provisions specifying the right of ADB to audit and examine the records and accounts of the executing and implementing agencies and all contractors, suppliers, consultants, and other service providers as they relate to the Project.