

GRANT NUMBER 0876-KIR(SF)

GRANT AGREEMENT  
(Special Operations)

(South Tarawa Water Supply Project – Additional Financing)

between

REPUBLIC OF KIRIBATI

and

ASIAN DEVELOPMENT BANK

DATED 19 December 2022

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KIR 49453

**GRANT AGREEMENT  
(Special Operations)**

GRANT AGREEMENT dated 19 December 2022 between REPUBLIC OF KIRIBATI ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

**WHEREAS**

(A) by a grant agreement dated 6 November 2020 between the Recipient and ADB ("the Original ADB Grant Agreement"), ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources in the amount of thirteen million Dollars (\$13,000,000) for the purposes of the Project described in Schedule 1 to the Original ADB Grant Agreement ("Original Project");

(B) by a grant agreement dated 6 November 2020 between the Recipient and ADB ("GCF Grant Agreement"), ADB has agreed to make available to the Recipient a grant from the Green Climate Fund in the amount of twenty eight million six hundred thirty thousand Dollars (\$28,630,000) for the purposes of cofinancing expenditures under the Original Project;

(C) by a financing agreement dated 2 February 2020 between the Recipient and the International Development Association ("IDA") ("WB Grant Agreement"), IDA has agreed to make a grant to the Recipient approximately equivalent to twelve million nine hundred sixty thousand Dollars (\$12,960,000) for the purpose of cofinancing expenditures under the Original Project;

(D) the Recipient has applied to ADB for an additional grant for the purposes of meeting cost overruns under the Original Project ("Project", and together with the Original Project, the "Overall Project");

(E) the Recipient has also applied to the Global Environment Facility ("GEF") for an additional grant in the amount of four million five hundred eighty seven thousand one hundred fifty six Dollars (\$4,587,156) ("GEF Grant"), for the purposes of cofinancing expenditures under the Project; and

(E) by a grant agreement of even date herewith between ADB and the Recipient ("GEF Grant Agreement"), ADB has made available to the Recipient the GEF Grant on the terms and conditions set out in the GEF Grant Agreement;

(F) ADB has agreed to make a grant to the Recipient from ADB's Special Funds resources 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 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.

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

**ARTICLE II****The Grant**

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources an amount of twenty million Dollars (\$20,000,000).

**ARTICLE III****Use of Proceeds of the Grant**

Section 3.01. The Recipient 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.

Section 3.02. The proceeds of the Grant shall be allocated and withdrawn in accordance with the provisions of the Schedule 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 the Original ADB Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2027 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 4 to the Original ADB Grant 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 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 Grant 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 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, Works and Services, and any relevant records and documents.

**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: the WB Grant Agreement shall have become liable for suspension or cancellation.

**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: the GEF Grant Agreement shall have been duly executed and delivered, and all conditions precedent to its effectiveness (other than a condition requiring the 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: that the GEF Grant Agreement has been duly authorized or ratified by, and 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****Termination**

Section 7.01. The Grant Agreement and all obligations of the parties thereunder shall terminate on the date on which the Original ADB Grant Agreement terminates.

**ARTICLE VIII****Miscellaneous**

Section 8.01. 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 8.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Minister of Finance and Economic Development  
P.O. Box 67, Bairiki  
Tarawa, Kiribati

For ADB


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

## Facsimile Numbers:

(632) 8636-2444  
(632) 8636-2388.

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  \_\_\_\_\_

TEUEA TOATU  
Vice President & Minister of Finance  
and Economic Development

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_

MUKHTOR KHAMUDKHANOV  
Officer-in-Charge  
Pacific Department

**SCHEDULE****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 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.



TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS			
Number	Item	Total Amount Allocated for ADB Financing (\$)	Basis for Withdrawal from the Grant Account
		Category	
1	Water Supply (Goods, Works and Services)	20,000,000	34.05% of total expenditure claimed*
	<b>TOTAL</b>	<b>20,000,000</b>	

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