
GRANT NUMBER 0666-RMI(SF)

GRANT AGREEMENT
(Special Operations)

(Pacific Disaster Resilience Program – Phase 2)

between

REPUBLIC OF THE MARSHALL ISLANDS

and

ASIAN DEVELOPMENT BANK

DATED 30 SEPTEMBER 2019

RMI 50028

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 30 September 2019 between REPUBLIC OF THE MARSHALL ISLANDS ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) ADB has received from the Recipient a development policy letter dated 19 August 2019 ("Policy Letter"), setting forth certain objectives, policies and actions, described in Schedule 1 to this Grant Agreement, designed to develop the Recipient's resilience to disaster events and strengthen disaster risk management ("Program");

(B) the Recipient has applied to ADB for a grant for the purposes of the Program; and

(C) ADB has agreed to provide 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 the provisions of ADB's Special Operations Grant Regulations, dated 1 January 2017 ("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(l) is deleted and the following is substituted therefor:

"Program" means the program for which ADB has agreed to make the Grant, as described in the Grant Agreement and as the description thereof may be amended from time to time by agreement between ADB and the Recipient;

(b) The term "Project" wherever it appears in the Grant Regulations shall be substituted by the term "Program".

(c) Section 2.01(n) is deleted and the following is substituted therefor:

"Program Executing Agency" means the entity or entities responsible for the carrying out of the Program as specified in the Grant Agreement;

- (d) The term "Project Executing Agency" wherever it appears in the Grant Regulations shall be substituted by the term "Program Executing Agency".
- (e) Section 5.01(b) is deleted.

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 the Grant Agreement have the following meanings:

- (a) "Availability Period" means the period specified in Section 3.04 of this Grant Agreement;
- (b) "Deposit Account" means the account referred to in paragraph 3 of Schedule 2 to the Grant Agreement;
- (c) "Disaster Event" means an event of disaster caused by natural hazard;
- (d) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (e) "Policy Matrix" means the policy matrix as agreed between the Recipient and ADB, which sets forth actions accomplished or to be accomplished by the Recipient under the Program and is attached to the Policy Letter; and
- (f) "Program Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means the Ministry of Finance of the Recipient or any successor thereto acceptable to ADB, which is responsible for the carrying out of the Program.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources on terms and conditions set forth in this Grant Agreement an amount of six million Dollars (\$6,000,000).

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. The Recipient shall cause the proceeds of the Grant to

be applied to the financing of expenditures on the Program in accordance with the provisions of this Grant Agreement.

Section 3.02. The proceeds of the Grant shall be 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. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be the date that is 90 days after the last day of the Availability Period or such other date as may from time to time be agreed between the Recipient and ADB.

Section 3.04. The Availability Period shall be the period commencing on the date of this Grant Agreement and terminating on the date that is the earlier to occur of (a) the date that is 3 years after the date of this Grant Agreement or (b) 31 December 2022. The Availability Period may be extended for an additional 3-year period commencing from date of expiration of the initial Availability Period subject to satisfaction of the conditions set out in paragraph 7 of Schedule 3 to this Grant Agreement.

ARTICLE IV

Particular Covenants

Section 4.01. In the carrying out of the Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Grant Agreement.

Section 4.02. As part of the reports and information referred to in Section 6.04 of the Grant Regulations, the Recipient shall furnish, or cause to be furnished, to ADB all such reports and information as ADB shall reasonably request concerning the implementation of the Program, including the accomplishment of the targets and carrying out of the actions set out in the Policy Letter.

ARTICLE V

Effectiveness

Section 5.01. 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 VI

Miscellaneous

Section 6.01. 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 6.02. The following addresses are specified for the purposes of Section 11.01 of the Grant Regulations:

For the Recipient

Ministry of Finance
P.O. Box D
Majuro, Marshall Islands 96960

For ADB

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

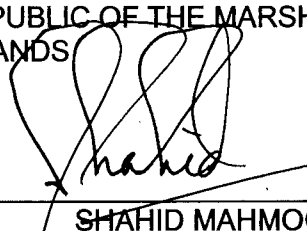
Facsimile Number:

(632) 636-2444.

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 THE MARSHALL
ISLANDS

By



SHAHID MAHMOOD
Authorized Representative

ASIAN DEVELOPMENT BANK

By



MA. CARMELA D. LOCSIN
Director General
Pacific Department

SCHEDULE 1**Description of the Program**

1. The principal objective of the Program is to strengthen disaster resilience of institutions and communities and the scope includes (a) strengthening policy, governance, and institutional arrangements for disaster risk management; (b) improving disaster risk management investment planning processes and tools; and (c) expanding disaster risk financing. The Program shall support additional public spending to meet short-term and medium-term post-disaster financing needs, in the event the Recipient is affected by a disaster. The Program is described in more detail in the Policy Letter.
2. The Program is expected to be completed by 31 March 2023.

SCHEDULE 2

Allocation and Withdrawal of Grant Proceeds

1. Except as set out in this Schedule or as ADB may otherwise agree, the Grant proceeds shall be disbursed in accordance with the Loan Disbursement Handbook.
2. An application for withdrawal from the Grant Account shall be submitted to ADB by the Recipient and shall be in a form satisfactory to ADB.
3. (a) Prior to submitting the first application to ADB for withdrawal from the Grant Account, the Recipient shall nominate an account (Deposit Account) at the Bank of Guam into which all withdrawals from the Grant Account shall be deposited. The Deposit Account shall be established, managed and liquidated in accordance with the applicable regulations and procedures of the Recipient.

(b) Separate accounts and records in respect of the Deposit Account shall be maintained in accordance with accounting principles acceptable to ADB. Upon ADB's request, the Recipient shall have the financial statements for the Deposit Account audited 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. Promptly after their preparation but in any event not later than 6 months after the date of ADB's request, copies of such audited financial statements and the opinion of the auditors on the financial statements, in the English language, shall be furnished to ADB.
4. No Grant proceeds shall be withdrawn to finance any item specified in the Attachment to this Schedule.
5. The Grant proceeds shall be disbursed through one or more withdrawals. Notwithstanding any other provisions of this Grant Agreement and except as ADB may otherwise agree, withdrawals may only be made from the Grant Account under either of the following two circumstances:
 - (a) a Disaster Event shall have occurred during the Availability Period and, in connection therewith, the Recipient has (i) declared a state of disaster in accordance with its Disaster Assistance Act of 1987 or taken the equivalent measure, and (ii) submitted an application for withdrawal to ADB in accordance with paragraph 2 of this Schedule 2 by no later than 90 days from the date of such declaration of state of emergency, but in any event prior to the Grant Closing Date; or
 - (b) after the expiration of the Availability Period but prior to the Grant Closing Date, the Recipient has (i) submitted an application for withdrawal to ADB in accordance with paragraph 2 of this Schedule 2 up to the amount that shall remain unwithdrawn from the Grant Account after taking into account any withdrawals made in accordance with subparagraph (a) of this paragraph 5, and (ii) as confirmed by ADB, continued to comply with the policy actions and adopt the post-program partnership framework as set forth in the Policy Matrix.

Negative List

No withdrawals of Grant proceeds will be made for the following:

- (i) expenditures for goods included in the following groups or sub-groups of the United Nations Standard International Trade Classification, Revision 3 (SITC, Rev. 3) or any successor groups or sub-groups under future revisions to the SITC, as designated by ADB by notice to the Recipient:

Table: Ineligible Items

Chapter	Heading	Description of Items
112		Alcoholic beverages
121		Tobacco, unmanufactured; tobacco refuse
122		Tobacco, manufactured (whether or not containing tobacco substitute)
525		Radioactive and associated materials
667		Pearls, precious and semiprecious stones, unworked or worked
718	718.7	Nuclear reactors, and parts thereof, fuel elements (cartridges), nonirradiated for nuclear reactors
728	728.43	Tobacco processing machinery
897	897.3	Jewelry of gold, silver or platinum-group metals (except watches and watch cases) and goldsmiths' or silversmiths' wares (including set gems)
971		Gold, nonmonetary (excluding gold ore and concentrates)

Source: United Nations.

- (ii) expenditures for goods supplied under a contract that any national or international financing institution or agency will have financed or has agreed to finance, including any contract financed under any loan or grant from the ADB;
- (iv) expenditures for goods intended for a military or paramilitary purpose or for luxury consumption;
- (v) expenditures for narcotics;
- (vi) expenditures for environmentally hazardous goods, the manufacture, use or import of which is prohibited under the laws of the Recipient or international agreements to which the Recipient is a party; and
- (vii) expenditures on account of any payment prohibited by the Recipient in compliance with a decision of the United Nations Security Council taken under Chapter VII of the Charter of the United Nations.

SCHEDULE 3

Program Implementation and Other Matters

Implementation Arrangements

1. The Ministry of Finance as the Program Executing Agency shall be responsible for the overall Program implementation.
2. In the event that a disaster event occurs and the Recipient contemplates withdrawal from Grant Account, the Recipient shall coordinate closely with ADB on the necessary actions to facilitate withdrawal as described in paragraph 5(a) of Schedule 2 to this Grant Agreement, including providing adequate information to ADB on the proposed withdrawal amount.

Policy Actions and Dialogue

3. The Recipient shall ensure that all policy actions adopted under the Program, as set forth in the Policy Letter and the Policy Matrix, continue to be in effect for the duration of the Program.
4. The Recipient shall keep ADB informed of policy discussions with other multilateral and bilateral aid agencies that may have implications for the implementation of the Program and shall provide ADB with an opportunity to comment on any resulting policy proposals. The Recipient shall take into account ADB's views before finalizing and implementing any such proposal.

Environmental and Social Safeguards

5. The Recipient shall ensure that the Grant proceeds are not used for any programs and activities which have any environmental, indigenous peoples or involuntary resettlement impacts, all within the meaning of ADB's Safeguard Policy Statement (2009). In the event that the Grant proceeds are used for any programs and activities which do have any such impact, the Recipient shall take all steps required to ensure that the Program complies with the applicable laws and regulations of the Recipient and with ADB's Safeguard Policy Statement (2009).

Governance and Anticorruption

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

Extension of Availability Period

7. Extension of the Availability Period as provided in Section 3.04 of this Grant Agreement shall be subject to the following conditions: (a) confirmation by ADB of the continued adequacy of the Recipient's macroeconomic environment, including receipt by ADB

of an updated assessment letter in respect of the Recipient from the International Monetary Fund; (b) the Recipient's continued progress towards the post-program partnership framework agreed to between the Recipient and ADB; (c) agreement between the Recipient and ADB on an updated monitoring framework with mutually agreed objectives for the period covered under the extended Availability Period; and (d) the Recipient's continued eligibility to receive grants from ADB's Special Funds resources. No later than 6 months' prior to expiration of the initial Availability Period, the Recipient shall notify ADB of any intention to extend the Availability Period and, if such extension is desired, the Recipient shall coordinate closely with ADB on the necessary actions to ensure, to the extent possible, compliance with the conditions to such extension set forth in this paragraph 7.