
GRANT NUMBER 0474-NAU (EF)

GRANT AGREEMENT
(Externally Financed)
(Fiscal Sustainability Reform Program)

between

NAURU

and

ASIAN DEVELOPMENT BANK

DATED 01 MAY 2016

NAU 48478

**GRANT AGREEMENT
(Externally Financed)**

GRANT AGREEMENT dated 01 May 2016 between NAURU ("Recipient") and
ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by an agreement of even date herewith between the Recipient and ADB ("Special Operations Grant Agreement"), ADB has agreed to provide a grant to the Recipient from its Special Fund resources an amount of two million Dollars (\$2,000,000) ("Grant") for the purposes of the Program;

(C) the Recipient has applied to the Government of the Australia ("GOA"), represented by the Department of Foreign Affairs and Trade, for a grant in an amount set out in Section 2.01 of this Grant Agreement for the purposes of jointly financing the Program; and

(D) the GOA Grant, will be provided through, and administered by, ADB upon the terms and conditions hereinafter set forth;

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 ("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 Special Operations Grant Agreement have the respective meanings therein set forth as if they were fully set forth herein.

ARTICLE II

Administration of the Grant

Section 2.01. Subject to the terms and conditions set forth in this Grant Agreement, ADB agrees to make available to the Recipient on a grant basis, and administer, the grant provided by GOA in the amount equivalent to one million eight hundred eighty six thousand Dollars (\$1,886,000) ("GOA Grant").

Section 2.02. The amount of the GOA Grant shall be adjusted from time to time to account for currency fluctuations, such that the amount of the GOA Grant, denominated in Dollars, shall be equivalent to A\$2,500,000 at the time that ADB converted the resources made available to ADB by GOA for the purposes of the Grant.

ARTICLE III

Use of Proceeds of the Grant

Section 3.01. (a) 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.

(b) The Recipient agrees that the proceeds of the Grant may be used to pay administration fees to ADB and any bank or other charges pursuant to the Cofinancing Agreement to the extent that such fees and charges (i) are not paid by GOA separately and (ii) cannot be paid from the interest and investment income earned by ADB on the undisbursed amount of the Grant. ADB shall be entitled to withdraw from the Grant Account and pay to itself, on behalf of the Recipient, the amounts required to meet payments, when due, of such administration fees and other charges.

Section 3.02. The proceeds of the Grant shall be 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 Eligible Items to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 2 to the Special Operations Grant Agreement.

Section 3.04. Withdrawals from the Grant Account shall be made only on account of expenditures relating to Eligible Items which meet such 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 2016 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 Program, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to the Special Operations Grant Agreement.

Section 4.02. (a) The Recipient shall maintain, or cause to be maintained, records and documents adequate to identify the Eligible Items financed out of the proceeds of the Grant and to record the progress of the Program.

(b) The Recipient shall enable ADB's representatives to inspect any relevant records and documents referred to in paragraph (a) of this Section.

Section 4.03. 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 (i) the Counterpart Funds and the use thereof; and (ii) 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. 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 Special Operations 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) shall have been fulfilled.

Section 5.02. 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 VI

Miscellaneous

Section 6.01. The Secretary of the MOF 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
Government Offices, Yaren District
Republic of Nauru

Telephone Number:

+674 557-3133

Facsimile Number:

not available.

For ADB

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

Facsimile Numbers:

+63 2 636-2444

+63 2 636-2337.

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 and to be delivered at the principal office of ADB, as of the day and year first above written.

NAURU

By



MARTIN HUNT
Secretary of Finance

ASIAN DEVELOPMENT BANK

By



XIANBIN YAO
Director General
Pacific Department

SCHEDULE 1**Allocation and Withdrawal of Grant Proceeds**General

1. Except as ADB may otherwise agree, the following provisions of this Schedule shall apply to the withdrawal of Grant proceeds from the GOA Grant Account.
2. An application for withdrawal from the GOA 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 application to ADB for withdrawal from the GOA Grant Account, the Recipient shall have established the NTF Account at a designated custodian bank based in Australia into which all withdrawals from the GOA Grant Account shall be deposited. The NTF Account shall be established, managed and liquidated in accordance with terms and conditions satisfactory to ADB.

(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.

Condition for Withdrawals from Grant Account

4. No withdrawal shall be made from the GOA Grant Account for the tranche unless ADB is satisfied that the Recipient has met (i) the policy actions for the release of the tranche specified in Attachment 2 to this Schedule, and (ii) the Recipient has established the NTF Account at a designated custodian bank based in Australia and after the Recipient has made its own initial contribution to the NTF Account in the amount of twenty million four hundred thousand Australian Dollars (A\$20,400,000).

Negative List

No withdrawals shall 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 A12: 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 in the currency of the Recipient or for goods supplied from the territory of the Recipient;
- (iii) expenditures for goods supplied under a contract that any national or international financing institution or agency shall have financed or has agreed to finance, including any contract financed under any Grantor 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.