
GRANT NUMBER 6034-NAU(SF)

GRANT AGREEMENT
(Special Operations)

(Preparing the Nauru Sustainable Urban Development Project)

between

NAURU

and

ASIAN DEVELOPMENT BANK

DATED 31 AUGUST 2021

NAU 54377

GRANT AGREEMENT (Special Operations)

GRANT AGREEMENT dated 31 August 2021 between NAURU ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) the Recipient has applied to ADB for a grant under an ADB project readiness financing ("PRF") to finance preparatory activities for prospective projects ("PRF Activities") described in Schedule 1 to this Grant Agreement; and

(B) 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 hereto agree as follows:

ARTICLE I

Grant Regulations; Definitions

Section 1.01. All 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) The term "Project" wherever it appears in the Grant Regulations as a defined term, shall be substituted by the term "PRF Activities".
- (b) The term "Project Executing Agency" wherever it appears in the Grant Regulations as a defined term, shall be substituted by the term "PRF Executing Agency".

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) "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;
- (b) "Ensuing Project" means the prospective Nauru Sustainable Urban Development Project to be financed by ADB, which is expected to increase access, quality and safety of urban services for about 2,150 households. Outputs may include (i) reliable, equitable and resilient water supply services provided; (ii) safe, inclusive, and effective

sanitation services provided; (iii) safe, reliable, and integrated solid waste services provided; (iv) improved hygiene behavior sustained; (v) urban planning system improved; and (vi) financial and operational capacity of service providers strengthened;

- (c) "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;
- (d) "Loan Disbursement Handbook" means ADB's Loan Disbursement Handbook (2017, as amended from time to time);
- (e) "PAM" means the project administration manual for the PRF Activities dated 23 June 2021 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;
- (f) "PRF Executing Agency" for the purposes of, and within the meaning of, the Grant Regulations means the Recipient's Department of Finance or any successor thereto acceptable to ADB, which is responsible for carrying out the PRF Activities;
- (g) "Procurement Plan" means the procurement plan for the PRF Activities dated 23 June 2021 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;
- (h) "Procurement Policy" means ADB's Procurement Policy – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time);
- (i) "Procurement Regulations" means ADB's Procurement Regulations for ADB Borrowers – Goods, Works, Nonconsulting and Consulting Services (2017, as amended from time to time); and
- (j) "SPS" means ADB's Safeguard Policy Statement (2009).

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources an amount of five million Dollars (\$5,000,000).

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 relating to the PRF Activities 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 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. Withdrawals from the Grant Account in respect of Goods and Consulting Services shall be made only on account of expenditures relating to:

- (a) Goods which are produced in and supplied from and 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 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 30 June 2026 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 PRF Activities, the Recipient shall perform, or cause to be performed, all obligations set forth in Schedule 3 to this Grant Agreement.

Section 4.02. (a) The Recipient shall (i) maintain separate accounts and records for the PRF Activities; (ii) prepare annual financial statements for the PRF Activities 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 PRF Activities 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 PRF Activities 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 PRF Activities and the Recipient's financial affairs where they relate to the PRF Activities 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 PRF Activities and any relevant records and documents.

ARTICLE V

Effectiveness

Section 5.01. 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 VI

Miscellaneous

Section 6.01. The Minister for Finance and Sustainable Development 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 and Sustainable Development
Government Offices
Yaren District

Republic of Nauru, NRU68

Telephone Number:
(674) 557 3133

E-mail Address:
martinhunt.nauru@gmail.com

For ADB

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

Facsimile Number:
(632) 8636-2444.

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.

NAURU

By



MARTIN HUNT
Minister of Finance

ASIAN DEVELOPMENT BANK

By



LEAH C. GUTIERREZ
Director General
Pacific Department

SCHEDULE 1**Description of the PRF Activities**

1. The PRF Activities shall comprise:
 - (a) activities to create an enabling environment for the Ensuing Project, including recruiting consultants to establish and strengthen a project management unit; designing and implementing a community outreach campaign to foster understanding and support for the Ensuing Project and ensure a participatory approach; training the PRF Executing Agency, implementing agency and project management unit in safeguards, financial management, procurement and gender; developing a roadmap for building urban planning capacity in the Recipient; and developing a whole of island urban development plan and strategy building on coastal risk analysis;
 - (b) institutional and regulatory reform activities to determine opportunities for urban services optimization, integration and sustainability to be implemented through the Ensuing Project, in the form of reviewing and developing strategic documents for water supply, sanitation and solid waste management; supporting sector coordination; reviewing institutional, regulatory and tariff frameworks; supporting planning and early implementation of agreed reforms; initiating capacity building of service delivery staff; and developing an institutional strengthening program for the Ensuing Project; and
 - (c) project preparatory activities to identify the scope, achieve project readiness and conduct advance procurement activities for the Ensuing Project, in the form of feasibility studies and due diligence assessments, including detailed engineering design; technical, financial, integrity, economic, and socioeconomic analysis; environmental and social impact assessment, procurement planning and risk assessment, preparing bidding documents and advance procurement actions.
2. Unless otherwise agreed between the Recipient and ADB, the PRF Activities are expected to support preparation of the Ensuing Project in the Recipient.
3. The PRF Activities are expected to be completed by 31 December 2025.

SCHEDULE 2**Allocation and Withdrawal of Grant Proceeds**General

1. The table attached to this Schedule sets forth the category 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.

Basis for Withdrawal from the Grant Account

2. Except as ADB may otherwise agree, the proceeds of the Grant shall be allocated to item of expenditure, and disbursed on the basis of the withdrawal percentage for that item of expenditure, as set forth in the Table.

Disbursement Procedures

3. 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		
Item	Total Amount Allocated for ADB Financing	Basis for Withdrawal from the Grant Account
Consulting Services, Goods and project management unit costs	\$5,000,000	100% of total expenditure claimed*
TOTAL	\$5,000,000	

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

SCHEDULE 3

Execution of PRF Activities

Implementation Arrangements

1. The Recipient shall ensure that the PRF Activities are 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.

Prohibited List of Investments

2. The Recipient shall 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.

Procurement

3. The Recipient shall ensure that:

- (a) the procurement of Goods and Consulting Services is carried out in accordance with the Procurement Policy and the Procurement Regulations;
- (b) Goods and Consulting Services are 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; and
- (c) (i) all Goods and Consulting 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 and Consulting 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.

Counterpart Support

4. The Recipient shall:

- (a) ensure that the PRF Executing Agency, and the Recipient's Department of Climate Change and National Resilience as lead implementing

agency of the PRF, each have sufficient funds to satisfy its liabilities arising from any Goods and/or Consulting Services contract; and

- (b) finance any shortfall in meeting the costs of the PRF Activities that cannot be met from the proceeds of the Grant.

Governance and Anticorruption

5. The Recipient, the PRF Executing Agency and the implementing 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 PRF Activities; and (b) cooperate with any such investigation and extend all necessary assistance for satisfactory completion of such investigation.

6. The Recipient, the PRF Executing Agency and the 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 PRF Executing Agency and all contractors, suppliers, consultants, and other service providers as they relate to the PRF Activities.