

---

GRANT NUMBER 0439-RMI(EF)

GRANT AGREEMENT  
(Externally Financed)

(Ebeye Water Supply and Sanitation Project)

between

REPUBLIC OF THE MARSHALL ISLANDS

and

ASIAN DEVELOPMENT BANK

DATED 13 OCTOBER 2015

---

RMI 46346

**GRANT AGREEMENT  
(Externally Financed)**

GRANT AGREEMENT dated 13 October 2015 between REPUBLIC OF THE MARSHALL ISLANDS (“Recipient”) and ASIAN DEVELOPMENT BANK (“ADB”).

WHEREAS

(A) by a grant agreement of even date herewith between the Recipient and ADB (“Special Operations Grant Agreement”), ADB has agreed to make a grant (“Special Operations Grant”) to the Recipient from ADB’s Special Funds resources in the amount of five million Dollars (\$5,000,000) for the purposes of the Project described in Schedule 1 to the Special Operations Grant Agreement;

(B) the Recipient has applied to the Government of Australia for a grant (“Grant”), to be administered by ADB, for the purposes of cofinancing expenditures under the Project;

(C) it is anticipated that pursuant to an agreement between ADB and the Government of Australia (“Cofinancing Agreement”), currently under preparation, the Government of Australia will provide, and ADB will administer, the Grant provided for herein upon terms and conditions to be set out in the Cofinancing Agreement;

(D) the Project will be carried out by Kwajalein Atoll Joint Utilities Resources Inc. (“KAJUR”), and the Recipient shall make available to KAJUR the proceeds of the Grant provided for herein upon terms and conditions satisfactory to ADB; and

(E) ADB has agreed to make the proceeds of the Grant from the Government of Australia available to the Recipient upon the terms and conditions set forth herein and in the Project Agreement between ADB and KAJUR;

NOW THEREFORE the parties agree as follows:

**ARTICLE I**

**Grant Regulations; Definitions**

Section 1.01. All provisions of the Externally Financed 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, the several terms defined in the Grant Regulations and Special Operations 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 a grant from the Government of Australia in the amount of four million Dollars (\$4,000,000).

## **ARTICLE III**

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

Section 3.01. (a) The Recipient shall make the proceeds of the Grant available to KAJUR in the form of grant and shall cause KAJUR to apply such proceeds to the financing of expenditures on the Project in accordance with the provisions of this Grant Agreement and the Project Agreement.

(b) The Recipient agrees that the proceeds of the Grant may be used to pay ADB's administration fees and other charges pursuant to the Cofinancing Agreement. 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 allocated and 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 items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 3 to the Special Operations Grant Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 2022 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 2 to this Grant Agreement and Schedule 4 to the Special Operations Grant Agreement.

Section 4.02. ADB shall disclose the annual audited financial statements for the Project and the opinion of the auditors on the financial statements within 30 days of the date of their receipt by posting them on ADB's website.

Section 4.03. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.04. The Recipient acknowledges and agrees that this Grant Agreement is entered into by ADB, not in its individual capacity, but as grant administrator for the Government of Australia. Accordingly, the Recipient agrees that (i) it may only withdraw Grant proceeds to the extent that ADB has received proceeds for the Grant from the Government of Australia, and (ii) that ADB does not assume any obligations or responsibilities of the Government of Australia in respect of the Project or the Grant other than those set out in this Grant Agreement.

## **ARTICLE V**

### **Suspension**

Section 5.01. The following is specified as an additional event 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 Special Operations Grant 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:

(a) the execution and delivery of the Special Operations Grant Agreement on behalf of the Recipient shall have been duly authorized or ratified by all necessary governmental action; and

(b) the execution and delivery of the Cofinancing Agreement.

Section 6.02. 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**

**Miscellaneous**

Section 7.01. 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 7.02. 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

Facsimile Number:

+692 625-3607.

For ADB

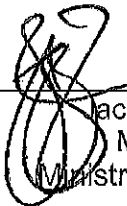
Asian Development Bank  
6 ADB Avenue  
Mandaluyong City  
1550 Metro Manila  
Philippines

Facsimile Numbers:

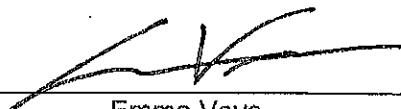
(63 2) 636-2444  
(63 2) 636-2446.

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.

REPUBLIC OF THE MARSHALL ISLANDS

By  \_\_\_\_\_  
Jack J. Ading  
Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By  \_\_\_\_\_  
Emma Veve  
Director  
Urban, Social Development and  
Public Management Division  
Pacific Department

## SCHEDULE 1

### 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 or Subcategory of the Table.)

#### Basis for Withdrawal from the Grant Account

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

| <b>ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS<br/>(Ebeye Water Supply and Sanitation Project)</b> |                     |                                                                                 |                                                        |
|----------------------------------------------------------------------------------------------------|---------------------|---------------------------------------------------------------------------------|--------------------------------------------------------|
| <b>Number</b>                                                                                      | <b>Item</b>         | <b>Total Amount Allocated<br/>for Australia Financing<br/>(\$)<br/>Category</b> | <b>Basis for Withdrawal from<br/>the Grant Account</b> |
| 1                                                                                                  | Works               | 1,000,000                                                                       | 24.8% of total expenditure<br>claimed*                 |
| 2                                                                                                  | Equipment           | 2,000,000                                                                       | 25.8% of total expenditure<br>claimed*                 |
| 3                                                                                                  | Consulting Services | 800,000                                                                         | 31.2% of total expenditure<br>claimed*                 |
| 4                                                                                                  | Unallocated**       | 200,000                                                                         |                                                        |
|                                                                                                    | Total               | 4,000,000                                                                       |                                                        |

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

\*\* Amount includes provision for administration fee, and other charges pursuant to the Cofinancing Agreement.



## **SCHEDULE 2**

### **Execution of Project; Other Matters**

#### Visibility of Donor

1. The Recipient shall maximize opportunities to highlight the identity of the contribution of the Government of Australia to the Project (e.g., through related signage, documentation and public information about the Project, including the use of the logo of the Australian Government).