
GRANT NUMBER 0502-KIR(SF)

GRANT AGREEMENT
(Special Operations)

(South Tarawa Sanitation Improvement Sector Project – Additional Financing)

between

REPUBLIC OF KIRIBATI

and

ASIAN DEVELOPMENT BANK

DATED 12 DECEMBER 2016

KIR 43072

**GRANT AGREEMENT
(Special Operations)**

GRANT AGREEMENT dated 12 December 2016 between REPUBLIC OF KIRIBATI ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 3 May 2012 between the Recipient and ADB ("Special Operations Loan Agreement"), ADB made a loan to the Recipient from ADB's Special Funds resources ("Special Operations Loan") in an amount in various currencies equivalent to four million seven hundred thousand Special Drawing Rights (SDR4,700,000) for the purposes of the project described in Schedule 1 to the Special Operations Loan Agreement ("Project");

(B) by a grant agreement dated 3 May 2012 between the Recipient and ADB ("AusAID Grant Agreement"), ADB made available to the Recipient a grant from AusAID ("AusAID Grant") in an amount equivalent to approximately thirteen million nine hundred and fifty thousand Dollars (\$13,950,000) for the purposes of the Project;

(C) by a grant agreement dated 26 September 2014 between the Recipient and ADB ("MDTF Grant Agreement"), ADB made available to the Recipient a grant from the Multi-donor Trust Fund under the Water Financing Partnership Facility in the amount of six hundred ten thousand Dollars (\$610,000) for the purposes of the Project;

(D) the Recipient has applied to ADB for a grant for the purposes of financing cost overruns under the Project; and

(E) 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 the Special Operations Grant Regulations of ADB, dated 7 February 2005 ("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 Special Operations Loan Agreement have the respective meanings therein set forth unless modified as follows or the context otherwise requires:

(a) "Works" means construction or civil works to be financed out of the proceeds of the Grant, including services such as drilling or mapping, and project related services that are provided as part of a single responsibility or turnkey contract.

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient from ADB's Special Funds resources an amount of two million eight hundred thousand Dollars (\$2,800,000).

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 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 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 2 to this Grant Agreement.

Section 3.04. Except as ADB may otherwise agree, the Recipient shall cause all items of expenditure financed out of the proceeds of the Grant to be used exclusively in the carrying out of the Project.

Section 3.05. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 31 December 2019 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 5 to the Special Operations Loan Agreement.

Section 4.02. (a) The Recipient shall (i) maintain, or cause to be maintained, 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 and Works, 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:

- (a) the Recipient shall have failed to perform any of its obligations under the Special Operations Loan Agreement, the AusAID Grant Agreement or the MDTF Grant Agreement;
- (b) the Special Operations Loan, the AusAID Grant or the MDTF Grant shall have become liable for suspension or cancellation for any reason whatsoever; and
- (c) the Cofinancing Agreement shall have been suspended or cancelled.

ARTICLE VI

Effectiveness

Section 6.01. 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 VII

Miscellaneous

Section 7.01. 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 7.02. 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
PO Box 67, Bairiki
Tarawa, Kiribati

Facsimile Number:

(686) 21307

For ADB

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

Facsimile Numbers:

(632) 636-2444
(632) 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 KIRIBATI

By



MATHEW FOX
Authorized Representative

ASIAN DEVELOPMENT BANK

By



XIANBIN YAO
Director General
Pacific Department

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

1. The table attached to this Schedule sets forth the Category of item of expenditure to be financed out of the proceeds of the Grant and the allocation of the Grant proceeds to such Category ("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 the item of expenditure 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 (South Tarawa Sanitation Improvement Sector Project – Additional Financing)			
Number	Item	Total Amount Allocated for ADB Financing (\$) Category	Basis for Withdrawal from the Grant Account
1	Works	2,800,000	100 percent of total expenditure claimed*
	TOTAL	2,800,000	

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

SCHEDULE 2

Procurement of Works

General

1. The procurement of Works shall be subject to and governed by the Procurement Guidelines.
2. All terms used in this Schedule and not otherwise defined in this Grant Agreement have the meanings provided in the Procurement Guidelines.

Works

3. Except as ADB may otherwise agree, Works shall be procured on the basis of procurement methods set forth below:
 - (a) International Competitive Bidding; and
 - (b) Shopping.
4. The methods of procurement are subject to, among other things, the detailed arrangements and threshold values set forth in the Procurement Plan. The Borrower may only modify the methods of procurement or threshold values with the prior agreement of ADB, and modifications must be set out in updates to the Procurement Plan.

Conditions for Award of Contract

5. The Recipient shall not award any Works contract for a Subproject which involves environmental impacts until the Recipient has:
 - (a) obtained the final approval of the IEE from the relevant environment authority of the Recipient; and
 - (b) incorporated the relevant provisions from the EMP into the Works contract.
6. The Recipient shall not award any Works contract involving involuntary resettlement impacts for a Subproject until the Recipient has prepared and submitted to ADB the final RP for such Subproject based on the Subproject's detailed design, and obtained ADB's clearance of such RP.

Industrial or Intellectual Property Rights

7.
 - (a) The Recipient shall ensure that all Works procured (including without limitation 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.
 - (b) The Recipient shall ensure that all contracts for the procurement of Works contain appropriate representations, warranties and, if appropriate, indemnities from

Schedule 2

the contractor or supplier with respect to the matters referred to in subparagraph (a) of this paragraph.

ADB's Review of Procurement Decisions

8. Contracts procured under international competitive bidding procedures shall be subject to prior review by ADB, unless otherwise agreed between the Recipient and ADB and set forth in the Procurement Plan.