

# Subgrant Agreement

The Parties to this Subgrant Agreement are

**University of Applied Sciences Emden/Leer (HSEL)**, Constantiaplatz 4, 26723 Emden, Germany,

(First Recipient)

and

**College of the Marshall Islands (CMI)**, represented by Dr David Newnham

(President), PO Box 1258, Majuro, Republic of the Marshall Islands, MH 96960

(Subgrantee)

**The Parties have agreed as follows:**

## 1. Definitions

- a. **Project** means the “Integrated and innovative maritime technologies for mobility and fisheries described in the Project Proposal dated 25 October 2024.
- b. **Project Budget** means the budget contained in the Project Proposal dated 25 October 2024.
- c. **Grant Donor** is ZUG gGmbH. ZUG gGmbH acts on behalf of the German Federal Ministry for Economic Affairs and Climate Action.
- d. **First Recipient** means the organisation which initially receives the grant from the Grant Donor for the implementation of the Project.
- e. **Subgrantee** means the organisation which receives parts of the grant for the implementation of certain specified parts of the Project.
- f. **Advance payment** means a Subgrant instalment paid in advance by the **First Recipient** to defray the anticipated Project costs of the **Subgrantee** for a future period.



**g. Financing mode**

The grant will be made available through one of the following financing modes:

☐ **Fixed-sum financing mode**

means that the First Recipient provides a fixed amount (the “Subgrant”) to the Subgrantee as part of the total eligible expenditure, according to the Project Budget and regardless of the increase or decrease of the total eligible expenditure for the Subgrantee’s contribution at the end of the Project.

☒ **Full financing**

means that an amount maximum equivalent to the total eligible expenditure is provided, according to the Project Budget and decreasing in case of reduced total eligible expenditure at the end of the Project.

**h. Financial Report** means an overview of any expenditure incurred by the Subgrantee, including own and third party funds if applicable.

**i. Narrative Report** means a written report on the operation and progress of the Project.

**j. Final Report** means a Financial Report as well as a Narrative Report covering the whole Project duration.

**k. Significant deviation** means a material variance from the Project Proposal, in so far as the contribution of the Subgrantee is concerned, which might affect the objectives of the Project or the adequate use of the Subgrant, regardless of the cause, e.g. changes in outcome and/or output level, changes to the respective indicators or to crucial activities.

**l. Text form** means a readable declaration made on a durable medium, in which the person making the declaration is named. A durable medium is any medium that

i. enables the recipient to retain or store a declaration included on the medium that is addressed to him personally such that it is accessible to him for a period of time adequate to its purpose, and

ii. allows the unchanged reproduction of such declaration.



2. Subgrant provisions

- a. Subject to the provisions of this Subgrant Agreement, the First Recipient will make available to the Subgrantee a non-refundable voluntary Subgrant of up to EUR 174,625.00 (one hundred seventy-four thousand six hundred and twenty-five euros) for the purpose of implementing a specified part of the Project.
- b. The duration of the Project will be from 1 February 2025 to 31 July 2027.
- c. The Subgrant will be made available in the full financing mode. The Subgrant must only be used to cover expenditures necessarily incurred if the intended purpose of the Subgrant is to be achieved. Only expenditures paid and borne by the Subgrantee are eligible to be financed or co-financed by the Subgrant. These expenditures must be proven by delivery of works, services or supplies, original receipts/invoices, or proof of payment and must not include a profit-margin for the Subgrantee.
- d. The Subgrant must be used economically while taking into account the principles of efficiency and effectiveness. The Subgrant must not be used to create reserves.
- e. The Subgrant is allocated to the budgetary years as follows:

2025	EUR	93,500.00
2026	EUR	56,650.00
2027	EUR	24,475.00

- f. The Subgrant or instalments thereof will be disbursed upon request. The First Recipient provides the Subgrantee with a suitable template “Request of funds”. Each disbursed part of the Subgrant must be used within 6 (six) weeks after disbursement from the First Recipient to the Subgrantee.
- g. The Subgrantee may only agree to or effect payments prior to completion of the relevant service or purchase where this is customary or justified due to special circumstances.
- h. The Subgrantee bears the risk of exchange rate fluctuations. Revenue generated by positive development in exchange rates must be used for the Project and will be deducted from the total Subgrant.



- i. The Subgrantee must use a generally accepted accounting system.
- j. The Subgrantee must keep a Project-specific account so that all Project-related income and expense flows are identifiable and attributable.
- k. The Subgrant or instalments thereof will be transferred to the following bank account:

Account holder:	College of the Marshall Islands
Bank:	Bank of Guam
IBAN/Account no.:	0105-035880
BIC/Swift no.:	WFBIUS6S
Reference (optional):	

- l. The following activities of the Subgrantee are considered crucial for the implementation of the Project (for details see attached documents, in particular the project proposal and the GANT-chart):

**Work package (WP II.1): Small craft sail training module**

- Activity (A II.2): Implementation of WAM's sailing training as a CMI module; led by CMI

Since wind powered vessels are promoted as the future backbone of lagoon transportation for the RMI, it is crucial that the people have the opportunity to learn how to sail. It is therefore planned to develop a sailing training curriculum based on the experience of the sailing experts at WAM and implement it into the regular CMI structure to make it accessible and sustainable over the long term.

**Work package (WP II.2): Electric propulsion training module**

- Activity (A II.3): Development of a training curriculum; led by CMI
- Activity (A II.5): Design and commissioning of a solar-electric propulsion system for the casco built in activity II.4; led by CMI
- Activity (A II.6): Implementation of an electric propulsion training module at CMI; led by CMI



Despite its great potential, solar-electric propulsion is currently not existing in the RMI. Therefore, a training curriculum is developed and implemented into the regular CMI structure. For training and demonstration purpose a solar-electric training vessel is designed, built and commissioned.

**Work package (WP II.3): Small craft safety training and seamanship training module**

- Activity (A II.7): Development of a training curriculum for small craft safety and seamanship; led by CMI
- Activity (A II.8): Implementation of a small craft safety and seamanship training module at CMI; led by CMI
- Milestone (M II.2): Training craft for electric propulsion commissioned and tested (Q2 2026); led by CMI
- Milestone (M II.3): First electric propulsion training conducted as CMI module (Q2 2027); led by CMI
- Milestone (M II.4): First small craft safety and seamanship training conducted as CMI module (Q2 2026); led by CMI

Currently, there are not training standards for small craft operation in the RMI. To ensure safety, in particular with the new-built no-emission vessels, a safety and seamanship training module is developed and implemented into the regular CMI structure.

**Work package III:**

- Activity (A III.4): Launching ceremony and test event of electric vessel; led by CMI
- Milestone (M III.2): Launching ceremony of solar-electric training vessel (Q2 2026); led by CMI

Workpackage III is about public and private stakeholders being aware of the benefits/opportunities of investing in climate-neutral small-scale water craft. To achieve this, they need to know about it in the first place and also believe in it. To reach them, it is a good idea to use the existing networks of the local partners. WAM in particular has a very good national and regional network as well as a strong reputation for doing outstanding work ("if WAM as the local boating/sailing authority supports it, it certainly is worth having a look at it"). It



is planned that both local partners use their networks to promote the project results on national and region level right from the beginning of the activities.

The emission free vessels are promoted to the public and private sector stakeholders in particular by organizing test events. For these events, all designs are put in the water ready to use, and interested individuals can check them out, as well as go on test-rides to get an idea of the performance, cargo potential, handling, maintenance etc. to find the right vessel for their specific application.

The RMI is well connected in a regional network throughout the Pacific with regular meetings on all levels. It is expected that WAM and CMI promote the project results by utilising their connections to comparable organizations in other pacific island countries.

### **3. Obligations of the Subgrantee**

The Subgrantee accepts this Subgrant and agrees

- a. to contribute to the Project in the way, to the extent and within the time-frame specified in the Project Proposal and the Project Budget;
- b. to use the Subgrant, the Subgrantee's own resources and any contribution granted by third parties, according to the Project Proposal and the Project Budget, and exclusively for the purposes set out therein;
- c. to reimburse without delay upon request
  - i. the unused parts of the claimed Subgrant to which the Subgrantee is not entitled according to this Subgrant Agreement as soon as the overpayment becomes apparent;
  - ii. the Subgrant or parts thereof if they are not used in accordance with the objectives of the Project or if other provisions of the present Subgrant Agreement have been infringed;
  - iii. any interest accrued by the Subgrantee on the Subgrant.
- d. that reimbursable parts of the Subgrant are subject to an annual interest rate of 5 (five) percentage points above the base rate of the European Central Bank. This provision is not applicable to erroneous overpayments from the First Recipient.



- e. to pay interest at a rate of 5 (five) percentage points above the base rate of the European Central Bank p.a. for any amount not spent for eligible Project-related expenditures within 6 (six) weeks after disbursement according to Paragraph 2 lit f.
- f. to comply with the IKI Complaints Mechanism Policy, the IKI Safeguards Policy and the IKI Safeguards and take them into account during project implementation.
- g. to submit to the First Recipient annually an Interim Financial and Narrative Report according to the following schedule:

Date	Financial Report	Narrative Report	Reporting period
31 January 2026	X	X	start of Project - 31 December 2025
31 January 2027	X	X	1 January 2026 - 31 December 2026

- h. to submit to the First Recipient within 3 (three) months after completion of the Project, latest by 31 October 2027, the Final Report;
- i. to draft all reports in the language of the Subgrant Agreement. The First Recipient recommends to use templates provided on the website of the Medium Grants of the International Climate Initiative. Please note, that regardless the templates chosen, all legally binding reporting information has to be included in your reports (IKI; <https://www.international-climate-initiative.com/en/project-funding/information-for-recipients-of-project-funding><sup>1</sup>);
- j. to confirm in its Final Report that
  - i. all financial transactions have been made in accordance with the Project Proposal, the Project Budget and the intended purpose of the Subgrant;
  - ii. the Subgrant was examined in accordance with comprehensive internal control procedures on the basis of the financial regulations, rules and directives currently applicable to the Subgrantee;

<sup>1</sup> Please choose the corresponding implementation phase (e.g. Report on Project Progress; Amendment Request or Close Project) and then corresponding programme “IKI Medium Grants”.



- k. to use any item and asset purchased or produced using the Grant for the purpose of the Project during the Project duration. Items and assets with an original value of EUR 800 (net) and above must be listed on an inventory list. The inventory list must be submitted to the First Recipient 4 (four) months before the end of the Project.
- l. that the Subgrantee may dispose freely of any item or asset with an original value below EUR 800 (net) after the end of the Project. Items and assets on the inventory list must be transferred to the First Recipient;
- m. to seek prior agreement with the First Recipient if the Subgrantee intends to use any of the items or assets purchased or produced using the within the duration of the Project for a purpose different from the Project purpose;
- n. to seek prior agreement with the First Recipient if the Subgrantee intends to use any of the items or assets purchased or produced using the Subgrant within the duration of the Project for a purpose different from the Project purpose;
- o. to keep the original receipts (receipts for income and expenditure) for the individual payments and the agreements concerning the awarding of contracts as well as all other documents relating to the Subgrant for 5 (five) years after submission of the Final Report, unless a longer compulsory period of record-keeping is stipulated by the tax laws or other legal provisions applicable to the Subgrantee;
- p. to support any evaluation activities during the duration of the project and after its conclusion commissioned by the Grant Donor or the IKI Office at ZUG on behalf of the Grant Donor;
- q. to inform the First Recipient without delay and in writing of:
  - i. any additional funding the Subgrantee applies for or receives for the Project after this Subgrant Agreement has entered into force;
  - ii. any significant deviation from or changes to the Project;
  - iii. the inability to utilize the claimed or disbursed Subgrant for due payments within 6 (six) weeks after disbursement pursuant to para. 2. lit. f.;
  - iv. bankruptcy or similar proceedings which have been applied for or initiated against the property of the Subgrantee;



- v. any circumstances which prevent that the Subgrant or parts thereof can be used for the intended purpose;

#### **4. Copyright, Liability and Compliance**

- a. The Subgrantee grants the First Recipient and the Grant Donor an unrestricted, transferable non-exclusive right of use with respect to all intellectual property and other proprietary rights including, but not limited to, copyrights, patents, trademarks and ownership of data resulting from the Project.
- b. The Subgrantee must indemnify and hold harmless the First Recipient and the Grant Donor for and against any and all claims, lawsuits, damages and expenditures which the First Recipient and the Grant Donor may sustain or which may be brought against the First Recipient and the Grant Donor in connection with the Subgrantee's actions or omissions in the performance of this Subgrant Agreement.
- c. The Subgrantee undertakes that, at the date of the entering into force of the Subgrant Agreement, itself, its directors, officers or employees have not offered, promised, given, authorized, solicited or accepted any undue pecuniary or other advantage of any kind (or implied that they will or might do any such thing at any time in the future) in any way connected with the Subgrant Agreement and that the Subgrantee has taken reasonable measures to prevent subcontractors, agents or any other third parties subject to its control or determining influence from doing so.
- d. The Subgrantee will abide by the highest ethical standards in carrying out this Agreement. This includes not engaging in any discriminatory or exploitative practice or practice inconsistent with the rights set forth in the Convention on the Rights of the Child.

#### **5. Procurement**

- a. The Subgrantee understands that any procurement required for the Project must be acquired through public tender pursuant to the general regulations, rules and directives of the Subgrantee.
- b. In case that no general regulations, rules and directives of the Subgrantee exist, the following stipulations apply:



- i. for procurements with an estimated value not exceeding EUR 1,000 (net), no comparative offer is needed, provided the economic efficiency of the commercial goods or services can be assessed without any difficulties;
- ii. for procurements with an estimated value not exceeding EUR 5,000 (net), the Subgrantee must collect at least three offers for comparison. As a general rule, the contract should be awarded to the most economical tender; the Subgrantee must document that the correct procedure has been followed;
- iii. for procurements with an estimated value exceeding EUR 5,000 (net), at least three comparative offers in writing must be collected. As a general rule, the contract should be awarded to the most economical tender; the Subgrantee must document that the correct procedure has been followed.

## **6. Breach of Agreement and Termination**

- a. The First Recipient reserves the right to withhold or reclaim payment of the funds or parts thereof, in particular if
  - i. the Subgrant is not or no longer being used for the intended purpose of the Project;
  - ii. it becomes apparent that the intended purpose of the Project or the Subgrantee's contribution hereto cannot be achieved with the approved funds or at all;
  - iii. circumstances arise which alter or nullify the intended purpose of the Project or the Subgrantee's contribution hereto;
  - iv. the Subgrant funds are not used for the intended purpose within six weeks after disbursement;
  - v. items or assets purchased or produced using the Subgrant are no longer used for the intended purpose without prior agreement with the First Recipient;
  - vi. stipulations made by the First Recipient cannot be met or cannot be met within the set period, in particular the timely submission of the required



reports and the disclosure requirements set forth in para. 3. lit. f. of the present Subgrant Agreement;

b. The First Recipient may terminate the Subgrant Agreement without prior notification and without compensation of any kind, if the Subgrantee

i. fails, without justification, to fulfil any of its obligations and, after given notice by letter to comply with these obligations, still fails to do so or to provide a satisfactory explanation within 30 (thirty) days of sending of the letter;

ii. is bankrupt or being wound up, is having its affairs administered by the courts, has entered into an arrangement with creditors, has suspended business activities, is subject to proceedings concerning these matters or is in any analogous situation arising from a similar procedure provided for in national legislation or regulations;

iii. has been convicted of an offence concerning professional conduct by a judgement which has the force of res judicata or is guilty of grave professional misconduct, including the stipulation under para. 4. lit. c., proven by any justified means;

iv. engages in any act of fraud or corruption or is involved in a criminal organisation or any other illegal activity detrimental to the First Recipient's financial interest (this also applies to the partners, subcontractors and agents of the Subgrantee);

v. changes legal personality, unless an addendum to this Subgrant Agreement recording this fact is drawn up;

vi. does not comply with para. 3. lit. m. and para. 8. (financial bookkeeping, assignment);

vii. makes false or incomplete statements to obtain the Subgrant or provides reports that do not reflect reality.

c. In the event of termination, the Subgrantee is entitled to receive Subgrant payments only for the part of its contribution which has been carried out, excluding expenditures connected with current commitments which would be implemented after the termination date. In order to receive payment, the Subgrantee must submit a payment request and a Final Report in accordance with para 3. lit. g. (reporting).



- d. Prior to, or instead of terminating the Subgrant Agreement as provided for in this Paragraph, the First Recipient may suspend payments as a precautionary measure without prior notice.

## **7. Reclaim procedure**

The following procedural stipulations apply if the First Recipient is entitled to reclaim the Subgrant or parts thereof, or interest of any kind.

- a. The First Recipient will issue a formal notification to the Subgrantee, informing it of the First Recipient's intention to reclaim, the due amount, and a justification and inviting the Subgrantee to submit explanations within 30 days of receiving notification. If no explanations are submitted or the First Recipient decides to reclaim the amount despite the explanations it has received, it will confirm the amount to be recovered and formally issue the Subgrantee a debit note. This note will also specify the terms and the date for payment.
- b. If payment is not made by the date specified in the debit note, the First Recipient will recover the amount by offsetting it — without the Subgrantee's consent — against any amounts owed to the Subgrantee by the First Recipient.
- c. If payment is not made by the date in the debit note, the due amount will be increased by late payment interest of 5 (five) percentage points above the base rate of the European Central Bank p.a. from the day following the payment date stipulated in the debit note up to and including the date the First Recipient receives full payment of the amount.
- d. Partial payments will be first credited against expenses, charges and late payment interest and then against the principal.

## **8. Assignment**

The Subgrant Agreement and the payments attached to it may not be assigned to a third party in any manner whatsoever without prior written consent of the First Recipient.



## 9. Other provisions

- a. All publications relating to International Climate Initiative projects must use a mandatory funding logo. The IKI Medium Grants projects are assigned to the Federal Ministry for Economic Affairs and Climate Protection (BMWK) or the Federal Ministry for the Environment, Nature Conservation, Nuclear Safety and Consumer Protection (BMUV). A mandatory funding logo must be used to ensure that the IKI remains easily identifiable. The funding logo will be sent to the first applicant with the grant agreement. The corporate design rules of the IKI must be followed when using the funding logo (see [IKI PR guidelines](#)).
- b. This Subgrant Agreement may only be amended in text form between the First Recipient and the Subgrantee.
- c. In the event of a provision of this Subgrant Agreement being invalid, this will neither affect the validity of the remaining provisions nor the Agreement in total. Any deficiency in consequence thereof will be remedied by a provision consistent with the purpose and intent of this Subgrant Agreement.

## 10. Controlling Law and Dispute Resolution

This Agreement shall be deemed a contract made under, and shall be construed and enforced in accordance with German Law.

The First Recipient and the Subgrantee shall endeavor to resolve any dispute, controversy or claim arising from or relating to this Subgrant Agreement, as well as issues concerning the breach, termination or invalidity thereof, by direct negotiation.

Should this not lead to a settlement, the First Recipient and the Subgrantee shall dispute the ordinary course of law. The place of jurisdiction shall be the Court in Emden, Germany.

## 11. Entry into force

- a. This Subgrant Agreement will enter into force upon readable declaration in text form by both parties.
- b. The Subgrant is made available once the Subgrant Agreement has entered into force.



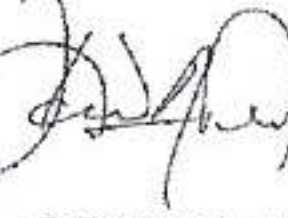
Euclid, 06.02.2025

Place and date

College of the Marshall Islands 2/3/2025

Place and date

Signed by:



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for and on behalf of the *First Recipient*

Manfred Nessen

Vice President

Name and position in block letters

for and on behalf of the *Subgrantee*

Dr David Newnham

College President

Name and position in block letters