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GRANT NUMBER 0314-LAO(UEIF)

GRANT AGREEMENT  
(Urban Environmental Infrastructure Fund  
under the Urban Financing Partnership Facility)

(Greater Mekong Subregion East-West Economic Corridor Towns Development Project)

between

LAO PEOPLE'S DEMOCRATIC REPUBLIC

and

ASIAN DEVELOPMENT BANK

DATED 4 DECEMBER 2012

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LAO 43319

## **GRANT AGREEMENT**

GRANT AGREEMENT dated 4 December 2012 between LAO PEOPLE'S DEMOCRATIC REPUBLIC ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

### **WHEREAS**

(A) by a financing agreement dated 4 December 2012 between the Recipient and ADB ("Financing Agreement"), ADB has agreed to provide a loan equivalent to seventeen million five hundred sixty-two thousand Special Drawing Rights (SDR17,562,000) and a grant of fourteen million two hundred thirty thousand (\$14,230,000) ("Grant") in support of the Greater Mekong Subregion East-West Economic Corridor Towns Development Project as described in Schedule 1 to the ADB Financing Agreement;

(B) the Recipient has applied to the Urban Environmental Infrastructure Fund ("UEIF") under the Urban Financing Partnership Facility for a grant to be administered by ADB for the purposes of financing the project as described in Section 1.02(b) of this Grant Agreement;

(C) the UEIF has agreed to provide a grant for the purposes of financing the project as described in Section 1.02 of this Grant Agreement, and ADB has agreed to administer the grant; and

(D) ADB has agreed to make the proceeds of the grant available to the Recipient upon the terms and conditions set forth herein;

NOW THEREFORE the parties agree as follows:

## **ARTICLE I**

### **Grant Regulations; Definitions**

Section 1.01. All the provisions of ADB's Externally Financed Grant Regulations, 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. Whenever used in this Grant Agreement, unless the context otherwise requires, the several terms defined in the Grant Regulations and the Financing Agreement, have the respective meanings therein set forth, except that for the purposes of this Grant Agreement:

(a) the term "Beneficiary" means the Lao People's Democratic Republic, defined as "Recipient" in this Grant Agreement; and

(b) the term "Project" means Part 5 of the Project as described in subparagraph 2(e) of Schedule 1 to the Financing Agreement.

## **ARTICLE II**

### **The Grant**

Section 2.01. ADB agrees to make available to the Recipient an amount of six hundred thirty-eight thousand Dollars (\$638,000).

## **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 and the Financing 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, items of expenditure to be financed out of the proceeds of the Grant in accordance with the provisions of Schedule 4 to the Financing Agreement.

Section 3.04. The Grant Closing Date for the purposes of Section 8.02 of the Grant Regulations shall be 30 June 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 Financing Agreement.

Section 4.02. The Recipient shall enable ADB's representatives to inspect the Project, the Goods and Works, and any relevant records and documents.

Section 4.03. (a) The Recipient shall: (i) maintain separate accounts and records for the Project; (ii) prepare annual financial statements for the Project in accordance with accounting principles 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 international standards for

auditing or the national equivalent acceptable to ADB; (iv) as part of each such audit, have the auditors prepare a report (which includes the auditors' opinion on the use of the Grant proceeds and compliance with the financial covenants of this Grant Agreement) 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 30 days of the date of their receipt 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.

## **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 Loan or Grant shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date.

## **ARTICLE VI**

### **Effectiveness**

Section 6.01. The following is specified as an additional condition to the effectiveness of this Grant Agreement for the purposes of Section 9.01(e) of the Grant Regulations: the Financing Agreement shall have been duly authorized, 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 6.02. The following is specified as an additional matter, for the purposes of Section 9.02(c) of the Grant Regulations, to be included in the opinion or opinions to be furnished to ADB: the Financing Agreement has been duly authorized,

executed and delivered on behalf of the Recipient, and is legally binding upon the Recipient in accordance with its terms.

Section 6.03. 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 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 Loan Regulations and Section 11.01 of the Grant Regulations:

#### For the Beneficiary

Ministry of Finance  
23 Singha Road  
P.O. Box 46  
Vientiane Capital  
Lao People's Democratic Republic

Facsimile Numbers:

(856-21) 412 142  
(856-21) 911 611.

#### For ADB

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

Facsimile Numbers:

(63-2) 636-2444  
(63-2) 636-2331.

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.

LAO PEOPLE'S DEMOCRATIC  
REPUBLIC

By   
\_\_\_\_\_  
H.E. SANTIPHAB PHOMVIHANE  
Vice Minister  
Ministry of Finance

ASIAN DEVELOPMENT BANK

By   
\_\_\_\_\_  
CHI NAI CHONG  
Country Director  
Lao Resident Mission

**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 amounts of the Grant 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 Loan 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 (Greater Mekong Subregion East-West Economic Corridor Towns Development Project)</b>			
<b>Number</b>	<b>Item</b>	<b>Amount Allocated (\$)  Category</b>	<b>Basis for Withdrawal from the Grant Account</b>
1	Works (Part 5)	537,000	100% of total expenditure claimed*
2	Consulting Services (Part 5)	43,000	100% of total expenditure claimed*
3	Unallocated	58,000	
	Total	638,000	

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