GRANT NUMBER 0334-CAM(UEIF)

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

(Greater Mekong Subregion Southern Economic Corridor Towns Development Project)

between

KINGDOM OF CAMBODIA

and

ASIAN DEVELOPMENT BANK

DATED 17 JANUARY 2013

GRANT AGREEMENT

GRANT AGREEMENT dated 17 January 2013 between the KINGDOM OF CAMBODIA ("Recipient") and ASIAN DEVELOPMENT BANK ("ADB").

WHEREAS

(A) by a loan agreement dated 17 January 2013 between the Recipient and ADB ("ADB Loan Agreement"), ADB has agreed to provide a loan equivalent to twenty four million twenty three thousand Special Drawing Rights (SDR 24,023,000) ("ADB Loan") in support of the Greater Mekong Subregion Southern Economic Corridor Towns Development Project as described in Schedule 1 to the ADB Loan Agreement;

(B) by a loan agreement dated 17 January 2013 between the Recipient and ADB ("SCF Loan Agreement"), ADB has agreed to provide from the ADB Strategic Climate Fund a loan of five million Dollars ($5,000,000) ("SCF Loan") in support of the Greater Mekong Subregion Southern Economic Corridor Towns Development Project as described in Schedule 1 to the ADB Loan Agreement;

(C) by a grant agreement dated 17 January 2013 between the Recipient and ADB ("SCF Grant Agreement"), ADB has agreed to provide from the ADB Strategic Climate Fund a grant of four million four hundred thousand Dollars ($4,400,000) ("SCF Grant") in support of the Greater Mekong Subregion Southern Economic Corridor Towns Development Project as described in Schedule 1 to the ADB Loan Agreement;

(D) 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; and

(E) 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 ADB Loan Agreement, have the respective meanings therein set forth, except that for the purposes of this Grant Agreement:

(a) the term “Borrower” means the Kingdom of Cambodia, defined as “Recipient” in this Grant Agreement; and

(b) the term “Project” means Parts 3, 6,and 10 of the Project as described in paragraph 2 of Schedule 1 to the ADB Loan Agreement

ARTICLE II

The Grant

Section 2.01. ADB agrees to make available to the Recipient an amount of one million five hundred thousand Dollars ($1,500,000).

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 ADB Loan 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 ADB Loan 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 ADB Loan 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 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 ADB Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date;

(b) the SCF Loan shall have become liable for suspension or cancellation or shall have become repayable prior to its agreed maturity date; and

(c) the SCF 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 ADB Loan 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;

(b) the SCF Loan 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; and

(c) the SCF Grant 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 are specified as additional matters, 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:

(a) the ADB Loan 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;

(b) the SCF Loan 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; and

(c) the SCF Grant 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 Economy and Finance 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

The Ministry of Economy and Finance
Street 92, Sangkat Wat Phnom
Khan Daun Penh, Phnom Penh
Cambodia

Facsimile Numbers:

(855-23) 427 798
(855-23) 428 424.

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.

KINGDOM OF CAMBODIA

By _____
H.E. KEAT CHHON
Deputy Prime Minister
Minister of Economy and Finance

ASIAN DEVELOPMENT BANK

By _____
ERIC SIDGWICK
Country Director
Cambodia 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, in consultation with 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 in consultation with 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.

Attachment to Schedule 1

TABLE

ALLOCATION AND WITHDRAWAL OF GRANT PROCEEDS (Greater Mekong Subregion Southern Economic Corridor Towns Development Project)				
Number	**Item**	**Amount Allocated ($)**		**Basis for Withdrawal from the Grant Account**
		Category	**Subcategory**	
1	Works	1,254,000		
1A	Battambang Materials Recovery Facility		430,000	100.0% of total expenditure claimed*
1B	Bavet Materials Recovery Facility		382,000	100.0% of total expenditure claimed*
1C	Poipet Materials Recovery Facility		442,000	100.0% of total expenditure claimed*
2	Consulting Services	109,000		
2A	Battambang Materials Recovery Facility		37,000	100.0% of total expenditure claimed*
2B	Bavet Materials Recovery Facility		33,000	100.0% of total expenditure claimed*
2C	Poipet Materials Recovery Facility		39,000	100.0% of total expenditure claimed*
3	Unallocated	137,000		
	Total	1,500,000		

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